

EXECUTIVE INTELLIGENCE REVIEW

June 19-25, 1979

The lineup for the Tokyo Summit

THE \$53 bn. RIP-OFF

LaRouche's economic model predicts effects of oil price hike on U.S. economy

1973 oil hoax

1979 oil hoax

1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981

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Executive Intelligence Review is published by New Solidarity International Press Service 304 W. 58th Street New York City, N.Y. 10019

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Subscription by mail for the U.S.:

**3 months—\$125, 6 months—\$225,
 1 year—\$400**

ISSN 0 146-9614

EXECUTIVE INTELLIGENCE REVIEW

M. Moriarty

The \$53 billion ripoff

Using the revolutionary new Riemannian economic model developed by Lyndon H. LaRouche, Jr., *Executive Intelligence Review* has calculated the effects on the U.S. economy of a \$53 billion increase in the nation's energy bill that the oil hoax of 1979 portends, and the impact is likely to be disastrous. In this week's **ECONOMIC SURVEY**: the outlook in terms of inflation, loss of capital formation, and other key indicators, plus supplementary reports on the impact on key overseas economies.

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EXECUTIVE INTELLIGENCE REVIEW

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The two sides at the Tokyo Summit

A series of critical end-of-June meetings, the Tokyo Economic Summit, the OPEC meeting in Vienna, and the oil company cartel countermeeting in London, could become the most momentous round of economic deliberations since 1946. Two policies are squaring off: the British, U.S.-backed program of world energy austerity, and a basket of French, Saudi, and Mexican backed proposals for a direct, producer-consumer energy arrangement that will guarantee abundant world energy supplies. The story heads off our ECONOMICS report, and includes the scandal—uncovered exclusively by this news service—of the IMF's role in dictating the U.S. position at Tokyo, and the surfacing of British plans to make the pound once again the world's major reserve currency.

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Who's behind OPEC's 'price hawks'

Why are such disparate OPEC members as Nigeria, Libya, Algeria, and Ayatollah Khomeini's Iran counted among the "price hawks" at the upcoming Vienna OPEC meeting. Our MIDDLE EAST report investigates and finds a common denominator in the presence of British-run Muslim Brotherhood networks operating against the governments of "price hawk" nations. Included in the report: The United States' safehouses for the Muslim Brotherhood networks that are attempting to cut off U.S. oil supplies.

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Carter plans for Nicaragua invasion exposed

This week's LATIN AMERICA report exposes the three "big lies" of Carter Administration policy toward the rebellion in Nicaragua: that the administration is neutral in the dispute, that it plans no intervention, and that the Sandinista guerrillas battling the government of Anastasio Somoza are "Cuban-backed radicals" and "communists." Included in the package: statements by U.S. State Department officials outlining U.S. military options ranging from "sending in the Marines" to an OAS "peacekeeping" intervention, to a coup against Somoza. Plus: the program of national reconstruction of the National Patriotic Front backed by the Sandinista forces. **Page 49**

The gasohol hoax

Among the various "alternative energy sources" that are cropping up in the midst of the oil hoax of 1979, "gasohol," a mixture of gasoline and distilled alcohol, figures prominently. With "gasohol"-fueled test cars tooling around the country touting this Brazilian import as the solution to the gas crisis, we thought our readers should get the facts on why this concoction is a "bad trip." In our ENERGY report: the real (sky-high) costs of gasohol, and how environmentalists are using it to attempt to undermine America's high-technology farming industry. **Page 35**

<p>EXECUTIVE INTELLIGENCE REVIEW September 24, 1978</p> <p>Why the World Bank Pushes Drugs</p> <p>Richard Brown examines the impact of the World Bank's drug control program.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 7, 1978</p> <p>Saving the dollar — without a recession</p> <p>Can the dollar be saved? Without a recession?</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 14, 1978</p> <p>Japan exports the A...</p> <p>Will any... in the...</p> <p>New Solidarity International Press Service \$10</p>
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Two summits, and the 'Hai

A senior British diplomat quoted in the *Baltimore Sun* avowed "if Carter doesn't succeed in ratifying SALT, then he's as good as dead in the White House." The citation signals to insiders London's script for the demise of both the strategic arms limitations treaty and Jimmy Carter, paving the way for a London-projected Haig presidency.

Last March we wrote that Alexander Haig (who, now retired from his NATO Supreme Command, is surfacing his political ambitions) was already setting White House policy as a prelude to occupation of the Oval Office. Lyndon LaRouche, *EIR* contributing editor and himself a presidential candidate, explained why the Democrats' 1980 nod would go to Kennedy. He told you how the British monarchy's leading think tank, the Royal Institute of International Affairs, and its stateside offspring the New York Council on Foreign Relations (CFR), had pre-rigged these nominations and a victory for "man on a white horse" Haig.

Recent events bear out this forecast and its corollary, our assertion that only the growing momentum of the LaRouche candidacy can upset that scenario.

Let us review the major U.S. policy themes spelled out by the RIIA last December-January, and their implementation:

1) U.S. political chaos resulting from contrived energy shortages, to create a climate for "crisis management" and Nazi synthetic-fuels programs. (See ECONOMIC SURVEY, ENERGY reports).

2) The enactment of a Carter "lame duck" scenario, to quote the RIIA: "To prepare the way for a

GOP strongman in 1980." (see U.S. REPORT). A key premise was the collapse of SALT, and U.S.-Soviet relations.

3) A British directed "theatre nuclear" and conventional military buildup in Western Europe, formulated by U.S. Secretary of State Vance in a December speech to the RIIA (See EUROPE for how the rigging of the European elections has created a "mandate" for the buildup).

As Carter leaves for his Vienna summit with Brezhnev, the same CFR circles that put him in the presidency and handed him his foreign policy "victories" have now prepared a series of humiliating defeats beginning with this month's Rhodesia sanctions and Panama Treaties votes in Congress, and slated to culminate in rejection of the SALT treaty. THE SALT defeat was signaled by Senate Minority leader Howard Baker's ultimatum demanding that "his" amendments be incorporated into SALT.

A SALT fiasco, followed by the RIIA-CFR script for the late June

Tokyo summit of the noncommunist industrial nations, is designed to package paper-clip general Haig as not merely an anti-Soviet hardliner, but an "economic savior." The White House is taking to Tokyo a plan for sinking the U.S., West European and Japanese economies, centered on Schlesinger's oil shortage swindle and "sending in the Marines" to enforce IMF-World Bank dictatorships in the developing and advanced sector alike (See ECONOMICS).

Any version of that program that might be ratified at Tokyo—as opposed to a European Monetary Fund-based plan for investing oil revenues in Third World development—will lead straight to the flare-up of all the hot spots, a building U.S.-Soviet confrontation, and a spiraling collapse of the U.S. economy feeding into a speculative boom for the British pound sterling. Haig then plans to ride into the presidency on the prestige of British "economic success" created by picking the American public's pocket.

—Nora Hamerman

The Week in Brief

Deregulation of the motor carrier industry will prove more costly to the U.S. by far than the Vietnam war in lives and money, according to the first comprehensive study of its effects prepared under the direction of presidential candidate Lyndon H. LaRouche, Jr.

A team of economists and computer specialists using the LaRouche "Riemannian" economic model (for its application to the oil hoax, see our

ECONOMIC SURVEY) projects that deregulation will cost \$489 billion over the next four years in lost industrial output and take 33,000 additional lives in highway accidents annually. This exceeds the entire death toll of the Vietnam conflict.

Deregulation is proposed by Senator Edward Kennedy, the Brookings Institution, and the Carter Administration. The LaRouche-model study will be summarized in a forth-

coming issue of this review.

LaRouche, the chairman of the U.S. Labor Party, has also proposed that his model be used to chart the effects on the world economy of investing the \$109 billion increase in OPEC oil revenues, due to the oil price rise, in high-technology Third World development projects funded by the European Monetary Fund. This study will form the basis for an alternative proposal for the June 26 Tokyo summit of seven top industrialized nations.

* * *

The National Patriotic Front of Nicaragua, which is supported militarily by the Sandinista group, has issued its program for Nicaraguan industrial development (see LATIN AMERICA). The program belies accusation that a victory of dictator Somoza's opposition means a "communist" takeover of the Central American country. The "communist" threat is being used to justify U.S. intervention on behalf of Somoza by the U.S. State Department.

But, a Soviet commentator stressed in a *Novosti* release June 13, the Sandinistas will set up a "bourgeois democracy" modeled on that of Mexico. Even Brazil has refused to commit itself to a military intervention urged by Washington under Organization of American States auspices.

* * *

Indian Foreign Minister Vajpayee wanted Prime Minister Desai to visit China, according to New Delhi sources, but Desai instead made an official visit to Moscow in mid-June and concluded a series of important deals with the Soviets. The agreements include: cooperation in space research (including a Soviet offer to put an Indian into space); further oil exploration; and Soviet supply of heavy water for Indian nuclear plants.

Sources in India say the last point is linked to a larger, secret deal for Soviet support for India's nuclear program in the event of a U.S. cutoff

of fuel supplies to the U.S.-built reactor at Tarapur.

Desai reportedly told Vajpayee that there was no reason to go to China, whereas the Soviet Union had shown itself to be a friend of India and "honored their commitments." India is now genuinely nonaligned, Desai said.

India's Defense Minister, former Congress Party leader Jagvivan Ram, recently underlined the non-alignment by publicly calling for the abrogation of the Egypt-Israel treaty.

* * *

The Camp David treaty also came under fire in Paris. President Giscard of France, the only European leader consistently working with the Arabs to break up the Rotterdam speculative oil "spot" market, met June 12 with Jordan's King Hussein to discuss a "global" settlement of the Middle East crisis. The two leaders reaffirmed that the solution can only come through self-determination for the Palestinians, a prerequisite the U.S.-arranged treaty does not fulfill.

According to Arab newspapers, an Arab summit meeting will take place in July in Saudi Arabia with the main agenda item being reconvening the Geneva conference. The French, meanwhile, are asking for a meeting of European Community foreign ministers to condemn Israel's illegal West Bank settlements and demand Israeli withdrawal from the West Bank and Jerusalem.

* * *

Soviet newspapers have charged the Carter Administration with economic and oil warfare against Europe through the decision to give a \$5 per barrel subsidy on heating oil to the multinationals and the U.S. refusal to restrict the Rotterdam market. One Soviet paper, according to French radio reports, called U.S. discussions with the Europeans and particularly with France, whose Foreign Minister Jean Francois-Poncet sharply criticized the oil subsidy during his recent visit to Washington, a "dialogue of the deaf."

* * *

"Mild forms" of marijuana should be legalized, according to the Assistant Attorney General Benjamin Civiletti in remarks reported in the Colombian press. The Kennedy-linked Civiletti is in line to become U.S. Attorney General when Griffin Bell resigns this year.

Civiletti's statement, denied by the White House on June 13, went out in a UPI release datelined Washington, June 10. It was quickly picked up by the drug export faction in Colombia, as an indication of U.S. intention to modify its drug laws, making possible the full conversion of Colombia into a legal-marijuana growing economy. As EIR has documented, it is the drug export faction that is running torture in Colombia.

* * *

The President of the Canadian Nuclear Association accused the U.S. Nuclear Regulatory Commission of promoting the Three Mile Island nuclear mishap into a "radiation fantasy" at a conference of 700 CNA members. Nicholas Ediger, who also heads the government-owned Eldorado Nuclear Ltd., said that the NRC made a serious error in opening discussions of the potentially explosive hydrogen bubble which formed inside the reactor, when it was later learned that an explosion could never have taken place.

Ediger exposed the NRC fraud in circulation of an infrared photo showing the glow of the plant's "radiation" leak, which was published worldwide. The photo caption "didn't mention that the radiation heat was heat coming from the building and that the camera technique was the same used by our federal department of energy, mines and resources to identify heat escaping from homes and other buildings requiring more insulation," Ediger said.

The evidence of the likelihood of NRC sabotage in the Harrisburg incident was presented by EIR and the Fusion Energy Foundation at an April conference in New York City, transcripts of which are available from this review at \$50.00 each.

Two sides at the Tokyo summit

The most crucial series of economic talks since 1946

The fifth economic summit conference of Western leaders, which opens in Tokyo June 26, the simultaneous meeting of OPEC and a Seven Sisters multinational strategy session, define a crucial conjuncture for the future of world economic policy.

Backed by British-controlled Muslim Brotherhood pressure on the OPEC "price hawks," and an escalation of the speculative squeeze on oil supplies expected out of the Seven Sisters cartel session, the United States is heading for Tokyo with a British-International Monetary Fund drafted agenda for making energy austerity and "postindustrial" policymaking official policy for the advanced sector.

Although there are strong signs that OPEC, under pressure from Britain, the oil multinationals, and British intelligence networks in the OPEC nations, will raise official benchmark crude oil prices to \$20 a barrel, Saudi Arabia is expected to argue for the approach represented by French and Mexican-backed proposals for a producer-consumer conference to work out direct oil supply deals—bypassing the Seven Sisters—at a stable price. This would bolster European Monetary System efforts toward industrializing the Third World to maintain growth in the advanced sector economies.

The Tokyo summit of western leaders will be a cardinal indication of how far, under French leadership, opponents of IMF zero-growth are willing to go.

As reported to *Executive Intelligence Review*, the U.S. negotiating position in Tokyo promises to remain pegged to British "controlled disintegration" demands along the following points:

Energy

- a "consumer boycott" stance toward OPEC initiated by forming oil purchasers into a bloc, along the lines of Henry Kissinger's efforts during the 1973 oil hoax;
- opposition to nuclear energy, especially U.S. and Third World expansion;
- international funding of large-scale coal gasification projects in the U.S., along with other high-cost inefficient "energy alternatives" such as tar sands, oil shale and solar power. (The Office of Management and Budget had vetoed \$10 billion for international coop-

eration for this purpose as too expensive. The new scheme retains what the *Washington Post* called June 9 a "World Bank" approach—using seed capital to raise private-market funds—and a plan, as if the U.S. were a banana republic, relies more heavily on foreign investment plus "windfall oil profits tax" revenue. This new plan, as outlined by the State Department [see below] has not been reported elsewhere.)

Economic Policy

The U.S. delegation, led by Secretary of the Treasury Blumenthal, will walk into the summit with a confidential report by the IMF Secretariat demanding immediate and severe deflation by the United States under the "surveillance" of the IMF, which will dictate huge interest rate hikes and major cuts in credit volume to the economy i.e., "induce recession" (see International Credit).

Under Blumenthal's direction, President Carter will use U.S. compliance with the IMF regime to demand that the industrial nations at the summit, and the developing sector, be put through the same deflationary ordeal. Blumenthal intends to call at Tokyo for an "unlocomotive policy," said a Washington source close to the National Security Council (see interview below). "The locomotive ... was where some countries were to reflate. ... The unlocomotive is where Japan, Germany and the U.S. all agree to ... deflate."

But Blumenthal's real intent is to provoke a *dollar collapse* at Tokyo. The other summiters will reject these provocations, said the source, the summit will collapse, and Europe and Japan will "let the dollar go" (see Foreign Exchange). When this occurs, Anglo-American opinion makers and their spokesmen in Europe are set to scream "failure of nerve" and "crisis of confidence," while behind the headlines financial and resource-supply chaos is triggered—in the midst of a probable SALT II treaty defeat and a hurricane of OPEC and Third World destabilizations.

The forces of sanity

Against these threats, there is a clear counterpolicy now being pressed by the French with growing support from

Japanese political and industrial leaders. In West Germany, supporters of the French counterpolicy are using the domestic debate on nuclear energy to press Bonn to aggressively join Paris. Italy, following the elections, is sidelined.

As we have reported, the French absolutely reject a showdown with OPEC. Moreover, they are in effect using the energy question to underscore the urgency of implementing Phase II of the European Monetary System: putting together giant long-term loans to finance exports of high-technology agricultural and industrial projects in the Third World, along with advanced energy sources to power them. This is the EMS plan whose postponement the IMF managed to force last March, when sighs were mounting of Arab interest in placing investments through the Fund.

Countering the U.S.-British pressure at the Tokyo summit, the government of French President Giscard proposes:

- to end speculative extortion on the petroleum spot markets by putting transactions through the Rotterdam center on public record, curbing supplies and purchases there, and capping the price through national import controls or international agreements;
- cooperative producer-consumer negotiations to secure long-term contractual supplies at a reasonable price;
- joint development funded by OPEC and the "North" to avert energy-supply disaster in the "South" through nuclear energy and technology proliferation—the EMS approach.

The issue, then, is not merely the Rotterdam spot market, despite the European fury about Schlesinger's subsidy to U.S.-based oil companies to bid up supplies there. The Carter Administration is perfectly willing to terminate the \$5 entitlement gambit, so long as overall policy runs on the Anglo-American track.

The *London Observer's* economics editor summed up June 10: "The West faces this month its biggest test of international economic cooperation since the aftermath of the Second World War. ... (after) a world economy founded on cheap fossil fuels shrugged aside the warnings from the Club of Rome about limitations on resources at the end of this decade. ..." The *Observer* has special qualifications for commenting on both history and energy. It is owned by Robert Anderson, whose Atlantic Richfield oil company and Aspen Institute have contributed so much to the oil hoax; and it directly relays the views of the British Round Table, which designed and entrenched the IMF, turned the Truman Administration away from economic development of the post-colonial world, and made the U.S. into a "dumb giant" for Whitehall's military designs.

Japanese on the eve of the summit

The Japanese federation of heavy industry, Keidanran,

has come out in favor of a strong Japanese policy in support of the French approach. Keidanren chairman Toshio Doko, in an interview published June 7 in the French daily *Le Figaro*, said Japan should follow France's lead on Mideast policy, reaffirmed Keidanren's commitment to nuclear energy, and firmly stated that the Tokyo summit should pursue the "complementary" questions of energy and North-South cooperation. Last month, Keidanren's energy committee publicly proposed that Japan free itself from Seven Sisters oil manipulation by setting up an independent national oil company to negotiate state-to-state deals with OPEC suppliers.

The Ohira government, however, which was put into place last fall precisely to sabotage a fruitful Japanese-European alliance, is trying to avoid any clash with Washington and London. Foreign Minister Sunao Sonoda told the June 8 *Mainichi Daily News* that the summit should not discuss oil issues. Japan wants to develop "coal and coal liquefaction," and "at a huge cost" the safety of nuclear energy must now be proven before it can be counted a reliable contribution to world energy supplies.

But the head of Ohira's own party's policy planning group, Toshio Komoto, pointedly told *Mainichi* last week that the U.S. was to blame both for the oil price escalation and the Mideast situation, and praised France for organizing discussion with OPEC. The pressure on Ohira is reflected in his latest interview (see below).

The West German fight

Helmut Schmidt, in the wake of what some observers considered a mealy-mouthed performance on his trip to the U.S., told the West German parliament June 12 that it is necessary to collaborate with OPEC and the Third World to secure the energy future or the Third World will starve. Coal and nuclear energy are the key to the future, especially nuclear, he said, since coal is environmentally damaging.

The Bund Deutscher Industrie (BDI), the national industrialists' association, has in the past week insisted that, in the words of BDI chief Rodenstock, the country is "in its gravest crisis since *Wiederaufbau* (postwar reconstruction)." A commitment to nuclear power, including the Gorleben reprocessing facility, must be rammed through, he said.

Rodenstock also challenged the Economics Minister Otto Graf von Lambsdorff's enthusiasm for letting the IMF and World Bank run the underdeveloped sector; he called for a West German export drive to the Third World, centered around nuclear technology, and dismissed fears of Third World industrial competition.

The impact on the government was indicated in a subsequent statement by Development Minister Rainer Offergeld, who told an audience June 13 that "exporting

know-how, high technology, nuclear power and scientific cooperation with Third World nations are essential elements of our development policy."

At the same time, many West German industrialists and bankers are so exasperated with the Carter Administration that they say they would just as soon see the U.S. go under while Europe "rides out" the oil squeeze. Others disagree on the grounds that there is no possibility of European trade and investment in the

Third World so long as an austerity-crazed U.S. is provoking financial disaster there.

On June 18, the EC heads of state meet in Strasbourg to prepare their summit strategy. The *Financial Times* of June 13 expressed fear that a "Franco-German initiative" at Strasbourg will produce a "coordinated approach" in Tokyo.

—Susan Johnson

State's strategy for Tokyo: conservation, coal gasification

A June 13 interview with an aide to Undersecretary of State for Economic Affairs excerpted here.

Q: *What is the U.S. negotiating position on energy for Tokyo?*

A: We have a strategy, which will be ironed out at the Paris Third Pre-Summit Preparatory Conference June 16-17. Internationally, we will stress great emphasis on conservation, a renewed commitment for 1980 IEA energy import reductions, since the current 5 percent reduction commitment holds only for 1979; and greatly increased production of nontraditional energy: coal gasification, oil tar sands, shale, solar.

Q: *This is for all the summit nations to implement?*

A: Yes.

Q: *What about nuclear?*

A: Oh, we'll discuss nuclear, but just from the standpoint of safety, the question of whether we can continue with nuclear at all. No expansion. In fact our big new area of expansion will be to draw international investment into large-scale coal gasification projects here. We'd like to set up an international government corporation which all the summit governments must join for joint coal-gasification development projects as a major new energy source.

Q: *Coal projects where?*

A: Where's the coal? Here, of course; we could get in Japanese capital, British capital....

Q: *What about the State-Treasury plan for a \$10 billion International Energy Corporation for energy projects in the Third World?*

A: Well, the OMB is queasy about the amount of money we could spend, but there's no doubt that that program, which is part of the World Bank program for Third World energy development, will go through.

That was the major success of the Bonn Summit. The oil companies said, keep the World Bank and governments out of oil development—the summit overrode them. This year we have to get an even bigger backing for World Bank energy projects in the Third World—alternative energy, mostly.

Q: *How will the summiteers deal with OPEC pricing? What about the French proposal for a price cap on oil companies buying in the spot market?*

A: The U.S. position will be quite simple. The consuming industrial nations have to club together and refuse to buy oil over a certain price from OPEC at all. Carter will insist on this. OPEC can take it or leave it. This has nothing to do with the spot market. We just have to unify against OPEC.

A: *And if OPEC says leave it?*

A: Then we'll have our energy conservation program sooner rather than later.

'Blumenthal will push deflation at Tokyo'

The following interview is with a Washington source linked to the Bank of England and the National Security Council.

Q: *Do you believe there will be a blow-out of the dollar after inaction at the Tokyo Summit as Britain's imminent relaxation of exchange controls suggests?*

A: Yes. Blumenthal is going to the summit to present what is being called in Europe the "unlocomotive" policy. The locomotive (proposed at the 1978 Bonn summit—ed.) was where some reflat to pull the others along. The unlocomotive is where Japan, Germany, and the U.S. agree to share the role of deflating their economies, to cool off the world economy. Or if the U.S. jacks up interest rates—and they would have to be really austere to do anything at this point—then Japan and Germany would have to do the same to protect their currencies.

Q: *Would this be the content of the IMF Western Hemisphere Division report on the U.S. economy calling for U.S. deflation which Blumenthal is rumored to be bringing to the summit?*

A: Yes. He'll ask them all to follow that medicine. Now the other alternative to the unlocomotive is that the Japanese and Germans may just say: "We're healthy economies, we're not wasting all this oil—you are. You deflate, and we fuel-efficient countries will maintain world demand."

Q: *You mean Blumenthal's unlocomotive will deliberately provoke a confrontation around these two alternatives and then the summit will fall apart?*

A: Right. Blumenthal can't deliver anything anyway, whether deflation alone or in an unlocomotive. No one will believe him, not that he's lying, just that the amount of austerity needed to feed the monster of U.S. oil consumption would be so extensive that no one would believe it politically possible. Even with a run-of-the-mill recession, the U.S. will continue to feed inflation by monetizing its mammoth energy consumption.

A: *And then the dollar will go?*

A: Right, like in 1977. This will be one summit they could have done without. The only thing keeping the dollar up is oil price increases. OPEC will probably oblige with another hike at the end of the month but that won't hold the dollar for long. The big question is will the Germans and Japanese decide they've had enough this time and just let the dollar go? They're furious with us, all our gas guzzling.

Q: *Isn't it Thatcher who convinced the Ohira group in Japan and the Lambsdorff crew in Germany of this? That's why they're removing exchange controls...*

A: Yes. Thatcher announced her first priority is the commonwealth, then Europe—which means first her plan is to get sterling back into third country financing as a reserve currency and then get into the EMS, without exchange controls as the EMS demanded. That is, fortress Europe—let the U.S. and the dollar go to hell, that's how the Germans feel. Germany and France will just run into fortress Europe, and the central banks will let the dollar go. They and the Japanese will say: "You want the dollar to collapse, all right, we'll help you. We'll collapse it down to zero."

Q: *And then sterling makes a big comeback as the new reserve currency?*

A: Sure, Thatcher is very big on doing that.

Giscard: cooperation is the key to solving energy problem

French President Giscard d'Estaing made the following statement to the French Council of Ministers meeting in Paris on June 6.

There are no solutions to the problem of energy outside of solidarity and cooperation; solidarity and nonconfrontation with producing countries. Any other attitude would lead to disorders and adventures.... France considers that solidarity of the consuming countries will have to be taken at the Strasbourg European Council meeting, and objectives and concrete measures will have to be established at the Tokyo Summit. As far as cooperation is concerned, France will actively pursue exchange of opinions with the producing countries to find the bases for a concerted action in order to stabilize the market and to avoid wasting natural resources.

Ohira: energy and North-South relations the principal themes

The following is a composite of Japanese Prime Minister Ohira's interview with French journalists, as reported in the June 12 editions of Le Figaro and Le Monde.

What are the principal themes that Mr. Ohira would like to put at the heart of the Tokyo Summit? He places, he told us, particular importance on energy problems and North-South relations. At this stage in the preparations of the conference, he does not want to be more precise....

Since Japan depends essentially on oil for its energy, Mr. Ohira remarked, and since it essentially buys its oil from the Middle East, it is useless to insist on what stability in this part of the world means for Japan. It is necessary to contribute to peace being established there....

How does Japan intend to react to the reinforcement of the Soviet fleet in the Pacific? The staid Prime Minister begins to laugh: his country does not propose entering a war with the Soviet Union, and does not envisage increasing its military potential. This kind of absurd competition stems from a long-gone philosophy. [Japan] will develop closer economic and cultural relations with the Soviet Union....

... He declares himself a partisan of the active continuation of a policy of peaceful use of nuclear energy.... This is an area in which industrial cooperation ... with Europe and notably France, could be particularly fruitful.

The IMF plans world deflation

The British-dominated International Monetary Fund, in collaboration with U.S. Secretary of the Treasury W. Michael Blumenthal, has written a program for the Tokyo Economic Summit calling for world deflation—starting with the United States. The program is detailed in the confidential IMF Staff—U.S. Authorities Annual Discussion paper, written by an IMF Secretariat team under IMF Western Hemisphere Department North American Division Director Joaquin Ferran. It will be reviewed by the IMF Executive Directors of the Group

INTERNATIONAL CREDIT

of 21 at their annual meeting on the U.S. economy just before the June 26 Tokyo Summit.

The plan contemplates a full implementation of the IMF "surveillance" mechanism over international credit flows, with the aim of returning to the scarcity economics of Parson Malthus. First, each advanced industrial nation, led by the U.S., is to undergo large-scale voluntary deflation at home, directed by IMF Secretariat advisors attached to the national treasury or finance ministry. Second, the developing sector is to be denied condition-free private sector Euromarket financing. All future recycling of petro- and other Eurodollars will be done by means of IMF *cofinancing*, through consortia of the IMF-World Bank with commercial banks and only under IMF-imposed austerity conditions.

Observers, including the Paris financial daily *Les Echos*, are astounded by the extent to which the IMF proposes that the U.S. surrender not merely its national sovereignty but its American System tradition of industrial growth. "The U.S. is on the spot once more," *Les Echos* wrote in leaking on June 11 the first news of the IMF Annual Discussion paper. "This time it is a report prepared by the economists of the IMF which attacks the insufficiency of the measures taken by Washington to reduce inflation.... It is a question of raising the level of interest rates, which are barely positive (after inflation)," the article cites IMF economists as saying. Other proposals include the traditional IMF formulae of large cuts, import restrictions, credit volume cuts, and government debt reductions.

Even more astounding, however, is the fact that the Carter Administration's Treasury Department, far from protesting, has helped to formulate this policy. The IMF's Director Ferran, confirming the existence and title of the Annual Discussion paper, protested that

"we discussed this policy fully with the people at Treasury, Federal Reserve, OMB, and the National Security Council... these were the regular annual discussions with the U.S. on the U.S. economy."

Speaking to the International Monetary Conference in London on June 13, Blumenthal announced that this policy "requires that we change our fundamental approach to economic management... We have our inventories under control... later this year, after some tough months, the desired results will emerge: an economic slowdown accompanied by an abatement of inflation. The *London Financial Times* noted with approval that Blumenthal was "echoing the U.K. budget speech of Sir Geoffrey Howe, Britain's Chancellor of the Exchequer, with whom he conferred shortly afterwards."

"Blumenthal will take it (the discussion paper—ed.) as the U.S. policy draft to the Tokyo Summit," said another IMF source when asked how the paper would be used. At the summit, a Washington source close to the NSC said, Blumenthal will use the fact that the U.S. Treasury is ready to plunge America into recession to demand that they deflate their economies, to cool off the world economy." If the U.S. jacks up interest rates—and they'd have to be really austere to mean anything at this point—then Japan and Germany would have to do the same to protect their currencies."

According to this source, the IMF discussion paper was fully coordinated with the more public annual report of the Basel Bank for International Settlements, the central bank clearing house, whose staff is dominated by Britain's Cambridge economics department, the British-leaning Swiss National Bank, and the Dutch Central Bank. The BIS report made headlines such as "U.S. Urged to Induce Slowdown" in the June 11 *New York Times*, by urging the U.S. Treasury and Federal Reserve to "ensure that the present cyclical upturn dies a natural and gentle death or more realistically turns into a mild recession." The U.S. must also "apply a radical policy of reducing oil imports."

This, threatens the BIS report, is the most "optimistic scenario." If the U.S. rejects it, the BIS's "pessimistic" scenario assumes that "the cyclical upswing in the U.S. degenerates into a genuinely overheated inflationary boom... Germany and Japan would intensify restrictive measures to prevent inflation being carried over to their economies," and the result would be "renewed currency unrest and international inflation culminating in a major world recession."

Also part of Blumenthal's planned proposal for the

summit, the source said, was the public demand by BIS president and Dutch Central Bank chief Jelle Zjilstra at the BIS annual meeting for central banks to use IMF surveillance to force their countries' commercial banks to cut back lending to the developing sector. Zjilstra announced that the central banks—led by U.S. Fed Chief G.W. Miller and Bank of England Governor Gordon Richardson, had actually agreed to begin pressuring the banks due to the tripling in their foreign loans over the past four years.

The existence of this liquidity has “tended to crowd out the IMF,” complained BIS consultant Alexandre Lamfalussy, “which is the only organization able to impose conditions on borrowing countries.” He demanded the IMF be given a greater role in surveillance over the loan process.

David Rockefeller, chairman of the Chase Manhattan Bank, addressed the American Chamber of Commerce in London June 13 and endorsed this approach as the only way left to the commercial banks to avoid the Miller-Richardson drive for stringent reserve re-

quirements. “The commercial banks,” he said, “are not now able to assume the prime responsibility of recycling OPEC funds... Some developing nations may have already reached their borrowing capacity and some commercial banks may be confronted with limits of country exposure.”

The commercial banks, under pressure from Blumenthal et. al., are therefore ready, Rockefeller said, to enter into the bulk of new loans in cofinancing consortia with the IMF, with the IMF imposing its conditions. This might be done through the IMF's Witteveen special \$10 billion fund for LDCs—or even through taxing the industrial countries a sum of some \$25 billion for a “safety net” managed by the OECD as proposed by anglophile Henry Kissinger. This also raises the possibility that commercial bank lending to the advanced industrial members of the OECD will be placed directly under IMF surveillance.

—Kathy Burdman

GOLD

Remonetization with a British twist

In a special June 12 survey on world gold markets, the London *Financial Times* outlined the British financial elite's strategy to undermine the gold remonetization content of the European Monetary System. What the *Times* suggests is that the pound take over as the world reserve currency supplemented by a refurbished version of the International Monetary Fund's Special Drawing Right with a gold backup.

What about the current world re-

serve currency? The dollar is to be phased out in favor of the SDR, the *Times* recommends, and the U.S. economy is to be placed in receivership to the IMF just like a Third World pauper.

“Gold has crept back on to the world monetary stage as a direct result of the weakening in the international reserve role of the dollar over the past 18 months,” said the *Times*'s correspondent David Marsh. “What is emerging is a multicomponent in-

ternational reserve system in which gold, alongside the dollar, the ‘hard’ currencies of West Germany, Switzerland and Japan, and the currency ‘cocktails’ of the Special Drawing Right and the European Currency Unit, are playing an increasingly important role....”

What London would like to see is a face-off between the U.S. and the French and West German governments, who originally proposed the EMS as a plan to expand world development and thus revitalize the dollar. It would be a fight between Europe's “gold bloc” and the U.S. “dollar bloc” where both sides lose in favor of an IMF-dominated system.

In another development this week, the Bank of International Settlements decided at its June 11 meeting to increase the rate at which it converts currencies on its balance sheet into gold francs, the official BIS accounting unit. The BIS had previously valued gold at \$42.22 per ounce. Now the basis will be \$208. Senior BIS officials downplayed this step as “taken solely for internal housekeeping reasons.”

—Alice Roth

FOREIGN EXCHANGE

'New era for sterling based on renewed dollar crisis

The Margaret Thatcher government, with the announcement June 12 by Chancellor of the Exchequer Sir Geoffrey Howe of Britain's new austerity budget, has announced "a new era" for the world role of the pound sterling, in the words of Lord Eric Roll, Chairman of S.G. Warburg & Co. Its conceptual basis is Howe's announcement that Britain's extensive postwar foreign exchange controls system is being dismantled so that British banks and corporations may once again use sterling to finance "third country" trade between other nations and buy healthy chunks of foreign economies—notably in the U.S.

It is only the fact that they expect a near-term renewed collapse of the U.S. dollar, however, that makes the British so confident the moribund pound can prosper without controls to prop it. Pro-British economists made no bones about this fact this week, starting with the *New York Times*' release June 10 of a scenario, "Worries Over the Dollar," in which the demand for dollars caused by the current oil price hikes wears thin. "The American currency could plunge to new lows" in that case, the *Times* said.

Under current British scenarios, the dollar crisis will hit sometime after, as they predict, the Tokyo economic summit dissolves into resultlessness when U.S. Treasury Secretary Blumenthal's plan for the IMF to implement world deflation is rejected by France, Japan, and Germany, causing a crisis of confidence (see International Credit).

'The world's leading financial centre'

After Howe's budget, the City of

London is unanimously looking forward to a return to world financial power at the expense of the U.S. of the strategic sort represented by its triumph over Amsterdam in the Glorious Revolution of 1688. "I think we stand on the threshold of a new era in regard" to Howe's removal of significant portions of exchange controls, Lord Roll told the *London Financial Times*. Most significant, he said, was Howe's announcement that British banks' use of sterling to finance third country trade—between, say, the U.S. and Latin America, as most such trade was financed until World War II—will be relegitimized soon. (The practice was outlawed by the British Labour Party in 1976). We will now have reinstated, said Roll, the very "activity which first propelled the City past Amsterdam as the world's leading financial centre."

Both British banks and corporations will now be free to invest official exchange—foreign currency bought at the market rate, rather than at the "investment dollar" premium which represents a 50 percent tax on foreign exchange purchases—to the value of up to £5 million per project per year. Further, they will be able to reinvest as much as desired overseas, rather than having to repatriate two-thirds of profits, as before. "The U.K. Treasury estimates that some 90 percent of U.K. direct investment abroad will now be financable at the official market rate if the investor so chooses," the *FT* noted exuberantly.

Not only does the City plan to run world finance again, but it will take the opportunity to go big into the U.S. economy in particular, to acquire direct political control over

U.S. banking and industry. Consider the \$23 billion in U.S. banking assets which British banks have purchased over the past year *with* the 50 percent exchange control tax.

'Let the dollar go'

None of this would work were the British not planning a dollar crisis to end all dollar crises—for the pound would collapse within millions of pounds dumped for dollars as investors flee the sinking British economy. The fact that sterling rocketed from \$2.06 to \$2.11 after the budget speech was not merely due to the jack-up in the Bank of England Minimum Lending Rate by 2 percent to 14 percent. As the *Financial Times* said, the market reaction "did not suggest fears that an exodus of British savings would result" because word is out that the dollar is in for it.

One source close to the National Security Council—(see interview above) put it bluntly. Britain expects that U.S. Treasury Secretary Blumenthal's demand that Europe and Japan massively deflate their economies at the upcoming Tokyo Summit will cause a summit failure, and crisis of confidence following which the dollar will "go, like in 1977...."

Britain will use the stronger pound at that point to join the European Monetary System and encourage "Germany and France to run into Fortress Europe... and the central banks will let the dollar go," he stated.

The other scenario to touch off a dollar run is even more probable: that the rise in oil prices, which has since February this year stabilized the dollar by causing demand for dollars to pay oil bills, may soon begin to rather cause a "snap-back" against the dollar and "make last year's weakness in the currency look like strength," as the *New York Times* reported June 10. After a certain—near—point, the high oil prices will just wreck the economy.

—Kathy Burdman

BRITAIN

The Tory's model austerity budget

"The (last) Government behaved as if it were possible for Government to manage, indeed to plan, the economy, so as to promote efficiency and growth," said new Tory Chancellor of the Exchequer Geoffrey Howe as he presented a new-style economic and fiscal program—a budget of "opportunity" as he called it. It's meant to correct what Howe sees as the errors of past governments that labored under the misapprehension that economic growth could be rea-

sonably expected in an industrial society.

The Tory budget message, viewed by observers as a calculated "gamble," is expected to set the standard for the "free enterprise, fiscal conservative model" which Tory thinkers would like to see the rest of the advanced sector, including the U.S., adopt at the upcoming Tokyo summit. As the *New York Times* noted approvingly: "The new budget shows how quickly unpopular steps

can be taken in a system of parliamentary government, as opposed to a system of divided powers like the United States." The *Wall Street Journal* ran an OpEd by Oxford University economist Walter Eltis who said: "The first budget of Margaret Thatcher's new government is one that many Americans will envy." The newspaper editorialized that Mrs. Thatcher's success in implementing an economic program that depends on the cooperation of people who are being asked to deny their own interests will determine "the longevity of Europe's renewed interest in Adam Smith-style liberal economics."

The measures announced by Howe are meant to curtail the role of the state in economic activity, as the Tories had promised before the election, and promote more "freedom of choice" for companies and individuals. The average working person in Britain may not think much of the

DOMESTIC CREDIT

World Bank using econometrics to 'prove' Malthus was right

"The only way to deal with [energy] shortages is to constrain demand and not rant about the consequences," U.S. Energy Secretary James Schlesinger told the "Conference on International Energy Issues" June 5. Unveiling another major shift on energy policy, Schlesinger declared: "in this energy problem, we need a substantial adjustment over a relatively brief period of time. Neo-classical models

of the economy don't work in this situation. *A neo-Malthusian model* is more relevant to the problems we face (emphasis added)."

Schlesinger's keynote address capped a public resurrection by the conference of negative growth in both energy use and capital formation as specified by the 19th century feudalist thinker, Parson Malthus. Although officially sponsored by the

International Association of Energy Economists (IAEE), the conference was actually run by the institutions whose personnel cochaired the conference: Charles Blitzer of the World Bank and Charles Hitch of the Aspen Institute spin-off, the Resources for the Future.

To convey this Malthusian perspective, not only were direct appeals made, but more importantly, "scientific economic models" were introduced to bring Schlesinger's assumptions in through the medium of computer printouts. The models were all based on the fraudulent concept of GNP.

Gerald Foley, a British national from the futuristic International Institute for Environment and Development, told the conference, "For many environmentalists ... the advantages of a low-energy society are perfectly obvious. It would be more frugal than today's; perhaps more moral; a society in which the present evils of social breakdown, alienation

"choice" they are faced with: spending the "extra" money derived from a lowered income tax on necessities like clothes, furniture, electrical goods, cars and gasoline—all hit by the increase in the national sales tax—or doing without.

The core of the Tories' domestic economic program, as outlined in the budget, is a radical restructuring of Britain's tax system, with the most controversial feature being a shift in the tax burden from income to consumption taxes. Its purpose is to give everyone more take-home pay, with the government recovering the lost revenue in higher sales taxes (the VAT or value-added tax).

Although Howe announced that his budget will "give the British people a greater opportunity than they have had in years to win higher standards of living," in fact the only group that will benefit are the do-nothing aristocrats in the highest income brackets who number among

Thatcher's strongest supporters. For families earning more than \$250,000 per year, income tax has been lowered from 83 percent to 60 percent. Thatcher's government believes that Britain's present tax system discourages the executives and entrepreneurs in this upper bracket from being as "productive" as they could be. To help them along, dividend controls and currency regulations have been relaxed which will mean the extra income can be used in such endeavors as gambling, speculation and the purchase of overseas assets.

Meanwhile, the basic tax rate will come down from 33 percent to 30 percent, giving the average British worker making \$200 per week about \$8 more in take-home pay. However, his family will have to shell out an additional \$5 to \$6 per week in sales tax, which on most consumer items was almost doubled, and gasoline costs, which the chancellor increased by 20 cents a gallon in one sweep.

The cost of medical care and public transportation was also raised as part of the Tories' move to gut British living standards.

The spending cuts by the government will reduce the special subsidies used to create employment and lop \$180 million off aid to the National Enterprise Board which funneled state funds to ailing industries. An estimated 150,000 out of 738,000 civil service jobs are to be eliminated in the next three years. Nationalized industries, such as British Rail and British Shipbuilding, will also suffer as the government tries to auction these off to the private sector.

The only increase in spending budgeted by the Tories is for \$200 million for defense. It will be used to modernize military equipment and raise the salaries of Britain's top military brass. "We are absolutely delighted," one senior official said.

—Marla Minnicino

and urban dereliction are reduced because people travel less, consume less and care more for the future of humanity." Foley then outlined the results of the IAEE's "economic model" which predicts Britain's GDP will grow by 1.1 percent, based on energy consumption cuts in industry by "20 to 30 percent." This, Foley said, is the optimum line for industrial production.

The economic modelers at the IAEE conference presented models which work on two premises: there is no such thing as technological innovation or new advanced energy forms, much less expansion of current nuclear and hydrocarbon capabilities. And energy has no necessary connection with growth. This provided the computer printout backdrop for Schlesinger's keynote address.

Capitalizing on this atmosphere was luncheon speaker John Sawhill, the energy programs director of the Aspen Institute, who personally

helped plan the overthrow of the Shah of Iran and the subsequent "energy crisis." Sawhill told the IAEE conference June 5 to reject all energy growth for the future. The economy won't lose that much growth after all, he lied. "Primary energy costs," Sawhill stated, "amount to only 8 percent of the GNP. Even if you double energy costs, this will result in only a 1/2 percent decline in the rate of economic growth and only a 6 percent rise in the cost of living."

Economic modeling for what future?

The use of "economic modeling" to prove the need for vast energy consumption cuts opens the question of what econometrics is actually capable of doing.

At present only one economic model, developed by U.S. Labor Party Chairman Lyndon LaRouche, is capable of *causally* predicting the "nonlinear" processes of normal and abnormal economic life. The head of

the largest "econometrics" house in the country, Data Resource Inc.'s Otto Eckstein, frankly told the June 10 *New York Times*, "it's the discontinuities," i.e., nonlinear effects, which "screw up" his model.

Eckstein's words are borne out by the failure of Gross National Product and its incorporation into every economic model. GNP doesn't measure *real economic production*. For example, if ten steel plants producing \$3 billion worth of steel shut down this year, while five legalized gambling casinos and two real estate swindles making a \$5 billion profit open up, the GNP model will show an increase in economic growth. This is totally incompetent.

—Richard Freeman

BANKING

Debate over Euromarket controls

Speaking at the annual International Monetary Conference (IMC) in London on June 12, Bank for International Settlements economist Alexandre Lamfalussy warned that the growing pool of liquidity in the Eurodollar market is crowding out the International Monetary Fund, which he hailed as the only institution able to impose adequate conditions on borrowing countries. Lamfalussy went on to say that he sees no danger in placing controls on the Eurodollar market, thus registering his position in favor of Euromarket regulation, and making it clear that the current push for regulation of the

volatile off-shore market is really part and parcel of efforts to enforce IMF surveillance over the world economy.

The ongoing discussion of Euromarket controls occupied center stage at the American Bankers Association-sponsored IMC conference of international bankers last week. Among those in agreement with Lamfalussy were New York Federal Reserve Bank President Paul Volcker, who insisted that reserve requirements be imposed on banks' Eurodollar as well as their domestic operations, and Deutsche Bank board member Wilfried Guth, the

man rumored to be the next head of the Bundesbank. Guth said that the extension of mandatory capital ratios to the foreign lending of German banks would have more bite than the imposition of reserve requirements.

It is highly ironic that Guth and the current powers that be at the Bundesbank have taken a position in favor of stringent Euromarket regulation. Efforts to "stabilize the Euromarkets" were set in motion recently by Federal Reserve Chairman G. William Miller and other U.S. Fed, Treasury, and State Department officials as a bludgeon against West German and Japanese banks which have been lending to developing sector countries at relatively concessionary rates in violation of the principles of IMF conditionality.

Citibank Chairman Walter Wriston, who keynoted the IMC on June 12, argued against the imposition of Euromarket controls from a "free-market" standpoint: he said that greater regulation would mute the ability of the free market to respond

COMMODITIES

Oil price hoax becomes raw materials crisis

Japanese aluminum producers are finding it too expensive to produce aluminum domestically, especially since April-May when the oil price hoax shot costs in this energy-intensive industry sky-high.

Japanese domestic capacity utilization in aluminum plants is now at 58-60 percent, much lower than at the close of 1978. It is cheaper for Japanese firms to purchase aluminum from U.S. trading companies at prices of 70-73 cents per pound rather than produce at home. U.S. aluminum consumers pay 58-60 cents per pound for the same ingot and scrap.

New York metals trading firms have recently concluded contracts for delivery of 100,000 metric tons to Japanese importers within the next six months. At the same time, there is concern that U.S. domestic aluminum supplies may be short, not so much due to these exports, but as a result of a strike at three Alcan plants in Quebec, Canada which normally supply 20,000 tons of ingot to the U.S. every month.

This shift in aluminum contracts is merely one more example of how the oil price hoax is turning into a raw materials crisis—just as in 1974.

During the 1974 oil hoax, Japa-

nese aluminum corporations, with support from domestic banks, launched an effort to build aluminum capacity in Korea, Indonesia and Brazil. These capital-intensive investments would have served to lower production costs in Japan, partly by giving aluminum producers access to waterways, which are scarce in Japan and essential for the complex aluminum smelting process.

In 1976, the World Bank, acting in its capacity as "overseer" of global credit allocation to the Third World, cancelled most of these projects as part of its post-1974 oil hoax assault in behalf of austerity conditionalities for loans.

Japanese aluminum producers more recently have opted to go scouting for "cheap labor" in the advanced sector. Mitsui Corporation found some—in South Carolina, where it is building a 197,000 ton capacity aluminum plant in a joint venture with Alumax.

innovatively to financial tensions, and he plugged the proposed New York off-shore banking facility as such an innovation. Wriston noted that the creation of a banking free zone in New York would remove sovereign risk for banks dealing in the dollar part of the Euro market—i.e., allow them to seize the assets of debtor countries in default.

Wriston also warned that the imposition of credit ceilings in the Eurodollar market would penalize the developing countries, whose need for funds will increase because of the latest oil price increases; however, it is not clear what Citibank's Third World lending policy will be over the next months. While Morgan Guaranty Chairman Walter Heinz Page III sided with Wriston in opposing Euromarket regulation at the London conference, Morgan senior economist Rimmer de Vries said recently that the bank will be carefully scrutinizing all developing country loans in the coming period.

—Lydia Schulman

In the U.S.

The U.S. Congress Subcommittee on Mines and Mining is now holding hearings every month to investigate the Carter administration's commitment to opening up new nonfuel minerals mines on federal lands.

According to one staffer regularly involved with these sessions, the Subcommittee is "making it as embarrassing as possible for the Department of the Interior and for the administration" over their reluctance to give up federal lands for mining development.

The Carter Administration's minerals policy was originally designed to curry support from environmentalist organizations. Now, with oil prices rising, it has become cost efficient to launch massive coal and other minerals development schemes throughout North America.

—Renée Sigerson

TRADE

After the Shah: high-technology contracts cancelled in Iran

Secretary of State Vance and Energy Secretary Schlesinger's support for the overthrow of the Shah of Iran has cost the industrialized sector a conservatively estimated \$38 billion in contracts cancelled or defaulted on in the past six months. Vance and Schlesinger backed the Shah's overthrow in order to destroy the leading example of a "Third World" industrialization effort centered around nuclear energy.

The London *Financial Times* characterizes the Iranian cancellations as "losses unprecedented in business experience worldwide, short of a major natural disaster or a global war." The same source claims that the dollar value of recently cancelled contracts may go as high as \$75 billion. Leading the list of projects cancelled are the \$6.9 billion pair of 1,200 megawatt nuclear power stations at Bushire, one of which was 80 percent completed, the other 50 percent. The *Financial Times* suggests its own attitude toward the cancellations by citing an "Iranian energy expert" who recently wrote a scholarly paper advocating that the two giant nuclear power stations "be turned into grain silos."

There has been discussion that the Iranian nuclear cancellation—directed against Siemens subsidiary Kraftwerkunion (KWU)—may terminate West Germany's nuclear program. KWU still has options and letters of intent to build six more nuclear plants in Brazil. Secretary of State Vance and Assistant Secretary of State Warren Christopher have expended considerable effort to get those Brazilian nuclear contracts cancelled as well, however.

Although the Iranian govern-

ment has not yet officially cancelled the two KWU reactors, the few hundred remaining German workers have just been expelled from the country and Iran has repudiated \$400 million in payments due to Kraftwerkunion. Iran has also refused to pay interest on the defaulted sum as "contrary to the Islamic prohibition of usury."

Cancellation is also expected on a \$5.9 billion French nuclear plant project led by Framatome. Two 900 megawatt reactors were to have been built. Site-work had already been completed.

The Shah had been determined to use the occasion of the previous oil hoax—that of 1973—to transform his nation into one of the world's leading industrial nations. An important side effect of this commitment was to set up an example for the rest of the OPEC sector toward high-technology investment in the capital-goods sector, which in turn generated significant export orders for advanced sector industry.

This at least partially stabilized an otherwise crippling blow dealt to the world economy by the 1973 oil price hoax, launched by oligarchical circles in Europe and the United States, including notably the "Seven Sisters" oil companies.

But the Shah failed to create mass-based political institutions to underpin his program. With the Shah out of the way, City of London banking circles are now confidently trumpeting their view that the swelling oil producer surplus will not be channeled into any significant OPEC-sector industrial investment.

—Richard Shulman

*“You can fool some of the people all of the time.
You can fool all of the people some of the time.
But you can’t fool all of the people all of the
time.”*

—Abraham Lincoln

The \$53 billion ripoff

The American public will pay a staggering \$53 billion, face unemployment of 10 to 11 million, and suffer inflation rates of 14 to 16 percent by early 1980—all thanks to the Carter administration’s deliberately contrived oil price rise. In return for paying that tax, the American people will get *nothing*—except a devastating collapse of U.S. industry and employment.

This is the result of the first application of U.S. presidential candidate Lyndon H. LaRouche’s computerized “Riemannian” economic model. The findings are based on a conservative estimate that the price of imported oil will rise to an annual average of \$19 per barrel plus \$2.50 in shipping costs.

But this \$53.7 billion figure, the designers of the model point out, does not include the impact on the United States of the oil-related collapse of developing

sector and European economies that provide U.S. industry’s export markets.

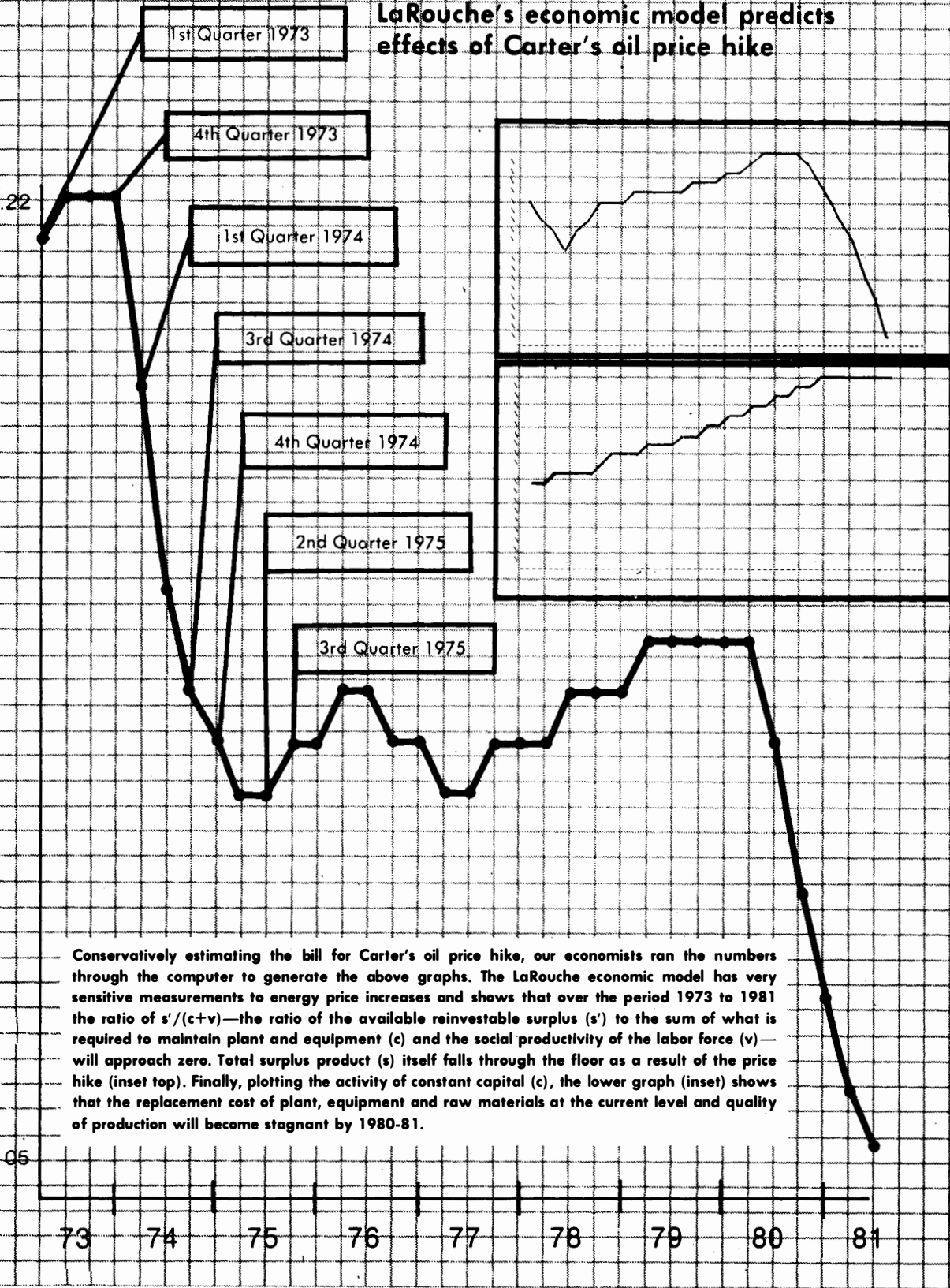
Remember 1974

To get a feel for that, think back for a moment to the “oil crash” of 1973-1975, the first time the British Crown and the financiers of the City of London and New York, working with the Seven Sisters oil multinationals, pulled a fake world oil shortage. The world went into a raging depression, and back then, having a job, and money for rent, was a luxury. Consider for a minute what happened.

In October 1973, as a result of the NATO-directed Middle East War, the price of OPEC oil jumped fourfold—from \$3 to \$12 per barrel.

The total cost to America for domestic and imported

LaRouche's economic model predicts effects of Carter's oil price hike



Conservatively estimating the bill for Carter's oil price hike, our economists ran the numbers through the computer to generate the above graphs. The LaRouche economic model has very sensitive measurements to energy price increases and shows that over the period 1973 to 1981 the ratio of $s'/(c+v)$ —the ratio of the available reinvestable surplus (s') to the sum of what is required to maintain plant and equipment (c) and the social productivity of the labor force (v)—will approach zero. Total surplus product (s) itself falls through the floor as a result of the price hike (inset top). Finally, plotting the activity of constant capital (c), the lower graph (inset) shows that the replacement cost of plant, equipment and raw materials at the current level and quality of production will become stagnant by 1980-81.

oil shot from \$26.3 billion in 1973 to \$53.9 billion in 1974, a leap of more than 100 percent. The \$27.6 billion increase in U.S. oil costs, although only 2 percent of the GNP for 1974, constituted nearly half of U.S. corporate profits and shoved the real rate of economic surplus sharply into the negative. But it was not until Federal Reserve Chairman Arthur Burns put the squeeze on credit in late 1974 that the plug was pulled on this inflationary spiral.

Economic expansion came to a screeching halt, as vast areas of the U.S. industrial heartland shut down. Unemployment lines of thousands wound round city blocks. The Commerce Department's industrial production index plummeted 8.9 percent from 1974 to 1975. At the same time, in 1975, *the number of unemployed nearly doubled*—to 7.8 million—representing 8.5 percent of the U.S. work force. Consumer prices skyrocketed at 11 percent for the year (building in a permanent 7 to 8 percent inflation rate).

In Europe jobless lines seemed endless. People went to bed cold and hungry.

In the Third World, the effect was mass murder. As a result of the oil crisis, the Third World, whose debt more than doubled to \$230 billion by 1976, fell under International Monetary Fund dictatorship. When drought hit southeast Africa, several tens of thousands died in the Sahel. One to two million people died in Bangladesh after the IMF took over that oil-starved country to apply its brand of austerity.

The oil hoax today

But if the oil hoax was bad in 1973-1975, think what it will be like today. Things will look good back then by comparison.

Just by conservatively estimating that the price of oil imported to the U.S. will rise to an annual average of \$19 per barrel (with a \$2.50 shipping charge on top of that), the price tag of U.S. imported oil will zoom by \$24 billion in 1979 alone. By assuming a conservative average of U.S. domestic oil of \$12.50 per barrel, that adds another \$12.2 billion. Yet the story doesn't stop here. During 1973-1975, when the price of oil zoomed, the price of coal and natural (dry) gas—which the economy uses a lot of—more than doubled. Assume that the price of these energy supplies rises only by 50 percent this time, and that's another \$17.4 billion. Grand total: \$53.7 billion, quite a tidy little sum.

But, we remind the reader, that \$53 billion was arrived at by excluding many costs. With this figure, we haven't considered what the oil hoax will do this time to the Third World, which is living at the margin of bare existence, and to Europe—economies with which the U.S. is integrally linked. Wipe out Europe

and the Third World, and U.S. export trade collapses.

Add in the cost of export trade loss, along with the multiplier-ripple effect for the price tag of oil hoax-induced lost production, as well as unemployment insurance costs, and the loss of nuclear power, and we are talking about a total cost to the U.S. economy of *several hundred billion dollars*.

Clearing the air

Big numbers can have a way of making you dizzy. So to give you a handle on what \$53 billion ripped off the economy means, the LaRouche economic model, which has very sensitive measurements to energy price increases, put the numbers into a computer to generate some remarkable graphs.

This impact study reported here was produced using a new tool for economic investigation, Riemannian Economic Analysis. This methodology (see *Executive Intelligence Review*, May 1, 1979 for details) deals with the reproductive dynamics of the parts of the economy actually responsible for capital investment and labor power development. Beginning with a careful distinction drawn between productive sectors and nonproductive sectors of the economy, a set of equations is derived describing the time evolution of the reproductive potential of an economic system.

The critical inputs into the model are the political, fiscal, and monetary decisions made over the course of the desired projection. In the impact study made of the effects of a doubling of the price of oil, these political decisions resulted in three separable effects: first, there is immediate rise in the cost of raw materials, including but not confined to petroleum and its immediate derivatives. This is followed by a general disruption of economic life whose measurable impact is a secular drop in the real productivity of the economy. At a certain critical threshold point, which was estimated to occur at approximately the last quarter of 1979, a wave of layoffs and closings of industry occur, leading to a large increase in nonproductive consumption in the economy and a further drop in productivity.

This same scenario of events occurred during and in the year after the oil price rise in 1973-1974. As seen from the accompanying graphs, there was a precipitous drop in the real economy in 1974 from which we never actually recovered. The period of stability reflected in the graph of reproductive potential $s'/(c+v)$, for example, levels off after 1974 but does not rise again. That graph measures the rate of free energy or that portion of surplus that a society's economy produces every year to be used for expansion, but in new technologies and capital formation, and in upgrading the social productivity of the labor force.

We foresee a similar severe and irreversible impact from a second price increase. In fact, assuming the Schlesinger oil hoax in 1979-1980, the curve of reproductive potential of the U.S. economy falls through the floor.

This means the economy will be utterly wrecked. Translating the effect of this curve—using what happened in 1973-1975 as a guide, with corrections for inflation and production—these are the results: within 9 months inflation will grow by 5 to 7 percent to 14 to 16 per year (based on the correlation of energy prices to inflation); unemployment will go from 6.5 million to approximately 11 million; industrial production will fall by 9 to 11 percent.

Why

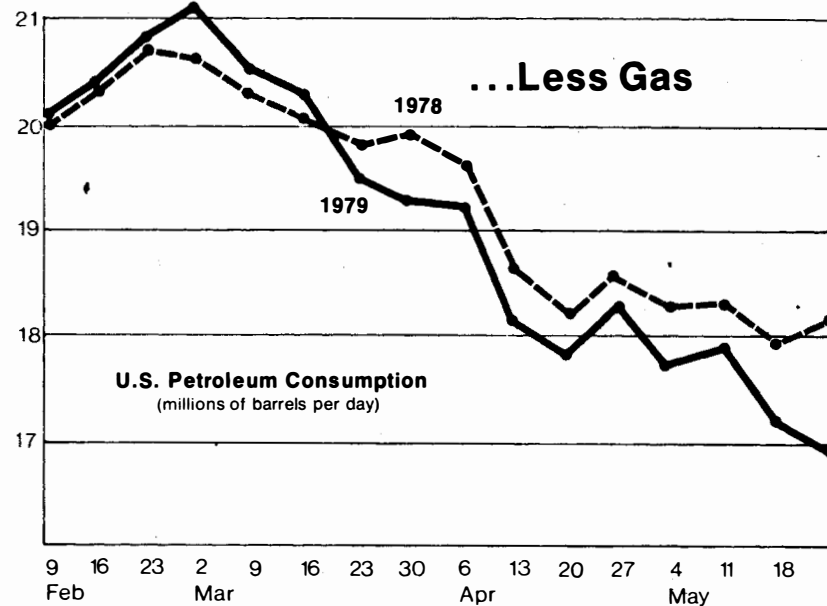
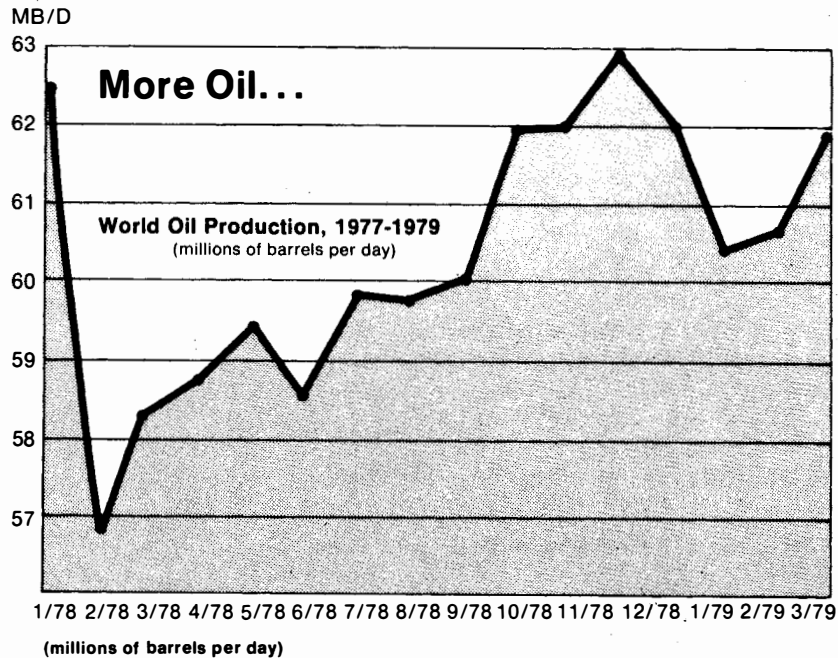
Behind the oil price hike is an unholy alliance between the Carter administration and the cartel of international oil corporations led by London's Royal Dutch Shell and British Petroleum. Their aims are not just quick profits, they are political.

There is no oil shortage now. But there will be if London and Washington succeed in choking off 70 percent of world oil production by using the Muslim Brotherhood network in Iran and the Persian Gulf to impose a feudal, no-growth regime on the Middle East.

LaRouche's economic model—the Riemannian Economic Analysis—shows how Carter's oil price hike will take the bottom out of the U.S. economy. But it also shows the unique method for relaunching the economy on a sound, high-technology basis.

—Richard Freeman

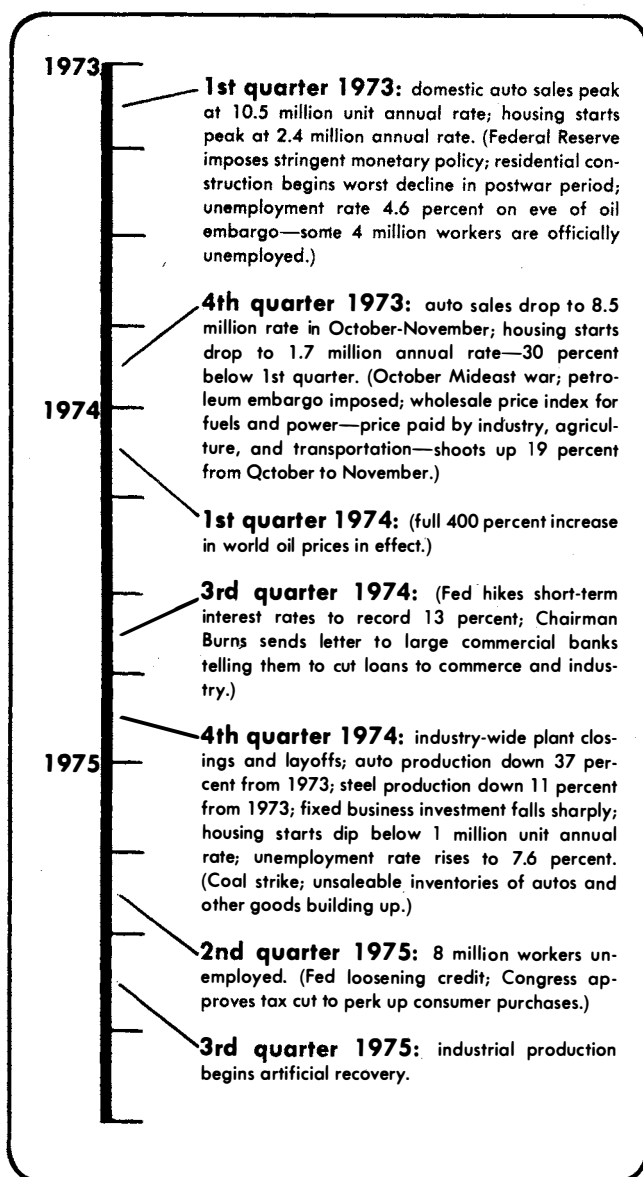
The real story



While Energy Secretary Schlesinger and others were claiming oil shortages and pushing policies of energy conservation, oil production was, on average, going up. World oil production, states the Energy Department's Energy Information Administration, was more than 5.3 percent higher during the first three months of 1979 than the same period in 1978. Moreover, U.S. petroleum consumption is down over last year's levels. Schlesinger's oil hoax is not a crisis in supply and demand, but a matter of policy to impose what he terms a "neo-Malthusian model" on the U.S. economy.

What the 1973 oil hoax did to the U.S. economy

When the last oil price hike hit in late 1973, few were the economists who foresaw that its effect would be to catapult the world into the worst economic collapse since the Great Depression of the 1930s. None of the existing econometric models, which were and are based simply on historical correlations and linear projections, were equipped to gauge the catastrophic impact of the quadrupling of world oil prices within the space of a few months on current consumption and production and on longer-term capital investment trends.



The 1973 oil hoax was the coup de grace to a steadily worsening world economic picture. The years leading up to October 1973 were rocked by successive international monetary crises and the unraveling of the International Monetary Fund-centered Bretton Woods monetary system, as IMF low-growth policies, fathered by British life insurance executive John Maynard Keynes, succeeded in undermining the potential for Third World industrial development *and* in stifling advanced sector exports and concomitant real economic growth—as opposed to GNP. In the U.S., the year-and-a-half period leading up to October 1973 was marked by grain and other commodity speculation at the Chicago Board of Trade, developing capacity shortages in basic industries, and burgeoning inflation. In the first half of 1973, food prices were rising at a more than 17 percent annual rate.

The Federal Reserve, under the chairmanship of “conservative” Arthur Burns, fueled the flight into short-term speculative investments through its policy of high interest rates—exactly as Fed Chairman G. William Miller is doing today. By the second quarter of 1973, interest rates had begun their steep ascent to the double-digit levels reached later in the year—and housing starts and residential construction began their tumble into the worst collapse of that sector in the postwar period.

After the October Mideast war and the petroleum embargo, the U.S. wholesale price index for fuels and power—the prices paid by industry, agriculture, transportation industries, etc.—surged 19 percent between October and November 1973. During 1974, when the quadrupling of world oil prices went into effect, the fuels and power index jumped by another 30 percent. Coming on top of food price inflation, the initial impact of the oil hoax was to stymie consumer purchases, and auto sales and commitments to build new homes plunged accordingly beginning in late 1973.

However, industrial production continued, buoyed by a massive buildup of inventories by business as a hedge against inflation and shortages.

It was Federal Reserve policy which finally pulled the plug on this inflationary spiral—and brought the economy crashing down in late 1974. By mid-summer, the Fed had hiked the federal funds rate—the key interbank, overnight interest rate—to 13 percent, while simultaneously cutting back on supplying reserves—the source of new credit—to the banking system. Then in August, Burns reportedly sent a letter to the large commercial banks instructing them to cut back on loans

to commerce and industry to "cool down" the economy.

With credit availability curtailed, the auto industry led the way in the second half of 1974 in closing down production in an effort to liquidate the huge pileup of inventories. The fourth quarter of the year was marked by widespread plant shutdowns and heavy layoffs in auto, which shortly spread to steel and other feeder industries. The evaporation of consumer demand, uncertainties about the future price and availability of energy supplies, and historically high long-term interest rates together took their toll on investment plans and slashed capital goods orders. In the first half of 1975, the numbers of officially unemployed workers reached 8 million, compared with some 4 million unemployed on the eve of the oil hoax.

Then starting in the spring of 1975, the U.S. economy was administered artificial resuscitation through a more stimulative monetary policy: a tax cut aimed at getting consumers to increase their purchases of autos and other goods, and a series of changes liberalizing the terms of consumer credit. The hyping of the economy in these ways, however, did nothing to change the economic "fundamentals" and merely set it up for another crash—which will be triggered by the Carter administration's oil price hike.

—Lydia Schulman

The world oil bill: up by \$109 billion

The U.S. population is being billed \$53 billion for the Great Oil Hoax of 1979. But what is the cost to the world economy?

Rough calculations by our economics staff indicate that \$109 billion could easily be added to the world's oil consumption bill alone, estimating that the average world price of crude oil rises 48 percent over the 1978 average of \$14.50 a barrel to \$21.50—or to \$19.00 plus \$2.50 in shipping and other additional charges.

This figure does not take into consideration the sale of oil at below OPEC prices or the increased cost of other energy sources such as coal and natural gas that have tended to rise in tandem with oil prices in the past.

While the advanced industrialized nations will bear the brunt of the increased oil tax simply because they consume most of the world's oil, the price hike will have the most devastating impact on Third World economies. According to figures compiled by Morgan Guaranty, imported oil represents 30 percent of total imports for such countries as Brazil and Turkey, and 20 percent for Korea, the Philippines, India and Thailand. Even a moderate rise in imported oil prices can easily wipe out a Third World country's foreign exchange reserves—which haven't recovered from the 1973-1974 oil price hike—forcing these countries to bring desperately needed development projects to a halt.

Take, for example, Kenya, whose Vice President and Finance Minister Mwai Kibaki reported in a May 30 interview with the *Wall Street Journal* that this year's oil crisis has already "eliminated the import of many consumer goods and has limited imports of motor cars, clothing and some other items. We have had to postpone development projects which haven't started, such as roads, and one or two industries. ... There are already no nonessential items imported. The higher oil prices will mean a 20 percent cut in what (foreign exchange) was available for other uses. Whatever we cut from our June budget must be essential items." Kibaki also noted that soaring oil prices have contributed to "a severe recession in all of Africa," including in Zaire, Zambia, Tanzania, Uganda, Rwanda, Burundi, Mozambique, and Rhodesia.

—Alice Roth

How the oil hoax will affect world oil bill

	1978 consumption (millions of barrels)	Oil bill (\$ billions)	
		1978	1979
Total (non-Communist)	17,260	230.00	339.00
U.S.	6,723	76.95	113.25
Western Europe	4,070	59.00	87.30
Japan	1,870	27.00	40.00

Except for the U.S., consumption figures are projections based on CIA estimates for 1977. U.S. consumption data is derived from the U.S. Energy Department's "Monthly Energy Review." The oil bill for 1979 is based on an oil price hike of 48 percent.

How the 1979 oil hoax was created

The current energy crisis is carefully orchestrated from the London headquarters of the Seven Sisters oil cartel. The conspirators at Royal Dutch Shell, British Petroleum, Exxon, Mobil, and their accomplices have introduced the "crisis" at a time when the world is pumping three million barrels a day more than last year—despite Iran.

Suppressed statistics of the U.S. Energy Department's agency, the Energy Information Administration, show that world oil production for the first three months of this year—the height of the Iran crisis—was more than 5.3 percent higher than in 1978 and 1977, 61 million barrels daily.

Major OPEC producers had countered Seven Sister "shortage" warnings by increasing their production along with Mexico and others, offsetting the Iranian losses. Saudi Arabia, by mid-January, had upped production from 8.5 to 10.5 million barrels. Iraq and other OPEC producers also increased output to above last year's levels. Even last year, there was a "glut" on the oil market.

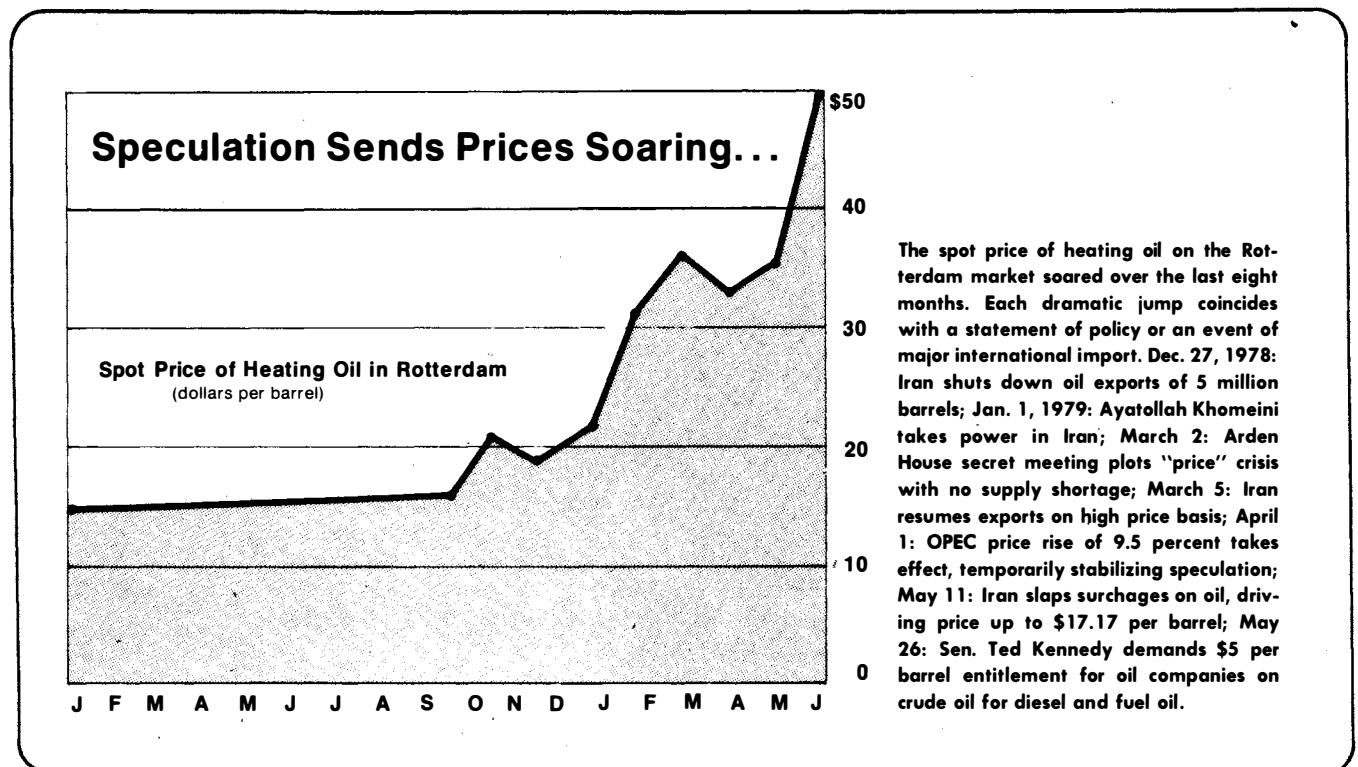
Where, then, did the shortage come from? It came from Averell Harriman's estate, not Iran. At Arden

House outside New York, key members of the conspiracy gathered on March 2: cartel and company representatives from Exxon, BP, Shell, Continental Oil, Texaco, Atlantic Richfield, officials of Schlesinger's office, and key news media officials. Not having reduced oil supplies by way of Iran, they decided to go the route of oil price increases.

On Jan. 3, 1979, BP and Shell began breaking oil delivery contracts around the world, claiming Iran had left them empty-handed. A scramble began for "scarce supplies," notably a rush on the Rotterdam "spot market."

This market is controlled by the Rothschilds, Oppenheimers, and Seven Sisters themselves through "front" trading companies. Since only 2 to 5 percent of world oil is traded in Rotterdam, they control it easily. They jacked their prices up from January levels of \$14 per barrel to as high as \$25 to \$30 in late May, withholding huge stocks from world markets, and forcing OPEC to enact an official price-hike March 26 to close the speculative differential.

On the excuse of high crude prices in Rotterdam, the companies then turned around and began to cut



back gasoline deliveries to 80 percent and 70 percent compared to last year, forcing some independent refineries to shut down completely.

Kennedy's role

On May 24, 1979, at the demand of Sen. Edward Kennedy, Schlesinger's office issued an "emergency ruling" to "establish an entitlement benefit of \$5 a barrel for middle distillates imported between May 1 and August 31...." In other words, a \$5 U.S. taxpayer subsidy to the Seven Sisters, Rothschild and others to speculate on the Rotterdam market.

Ted Kennedy, the avowed enemy of the multis, worked this out in a secret meeting with Sen. Clairborne Pell and Energy Department officials days before the ruling. Currently, the companies buy oil from OPEC at \$15 to \$17 and sell at Rotterdam for \$35 a barrel. They are now subsidized to expand that speculative differential by the taxpayers.

Since the Schlesinger-Kennedy spot market deal, prices have gone through the ceiling at Rotterdam. Since May 24, prices of \$30-40 a barrel have been reported—one West Germany buyer paid \$52.27 a barrel for a shipment last week.

Schlesinger's salt mines

The next phase came in the U.S.A. Schlesinger has been buying the inflated oil and has pumped more than 85 million barrels into "strategic reserve" salt caves in Louisiana and Texas—where no pumps have been installed to retrieve it! Schlesinger now has plans to add more than 1 billion barrels to this "reserve" in similarly inaccessible storage installations in Nova Scotia.

The oil companies' own stockpiles are traceable only through their central computerized monitoring system in London. But ships leaving Texas with fuel for delivery to Florida have been forced to turn back, because there is no storage space to unload the oil in that state. A similar report from Connecticut says all storage tanks are filled to the brim.

In California, where the U.S. "shortage" began, Governor Jerry Brown now meets daily with Robert O. Anderson of Atlantic Richfield and British intelligence's Aspen Institute. Now, a House Investigations and Oversight report shows that California production of gasoline is 12.9 percent higher than a year ago. Demand for gasoline, despite all the panic-buying Brown and Schlesinger promoted, was up only 11.4 percent.

Schlesinger's other powers

A little known aspect of Schlesinger's powers to spread the shortage are wielded by underling David Barden, a former assistant attorney general of Israel! Barden's Economic Regulatory Administration has "encouraged" oil companies to divert refinery capacity into home heating oil at the very time of year that gasoline demand is at its highest. The Energy Department has

Who Runs The Seven Sisters?

The Seven Sisters oil companies—Royal Dutch Shell, British Petroleum, Exxon, Mobil Oil, Gulf, Texaco, and SoCal (Chevron)—are one, unified feudal monopoly, controlling global oil supplies and organized and run by the Anglo-Dutch hereditary and financier aristocracy. Here's who they are.

Royal Dutch Shell: Elizabeth II, Queen of England; Juliana, Queen of the Netherlands; Prince Bernhard, Juliana's Royal Consort, founder of the Bilderberg secret society, and head of the environmentalist World Wildlife Federation; The Earl of Cromer, scion of the Baring banking family, former governor of the Bank of England, ambassador from the Court of St. James to Washington during the 1973 oil hoax, and former U.K. executive director of the IMF; Viscount Bearsted, head of the Hill Samuel London investment banking empire and controller of the Lloyds of London and Sun Alliance insurance groups.

British Petroleum: Elizabeth II, Queen of England; the Earl of Inchcape, a director of the Standard Chartered Bank and the Hongkong and Shanghai Bank; Sir David Steel, a member of the Order of the Knights of St. John of Jerusalem and a key man in the overthrow of the Shah of Iran.

Exxon: David Rockefeller, chairman of Chase Manhattan Bank and a third generation multimillionaire; brother Laurance runs the antinuclear Natural Resources Defense Council.

Mobil Oil: Herman J. Schmidt, a Major funder of the American Enterprise Institute which runs economics seminars and free enterprise propaganda supporting synthetic fuels schemes.

Texaco: The Earl of Granard who married into New York banking circles through the Ogden Mills family.

Arco: Robert O. Anderson, also with British Petroleum, owner of the *London Observer* and head of the Aspen Institute.

also diverted 5 percent of total gasoline stocks per month to a "state set-aside" emergency supply. Another 10 percent has been allocated to government and military use. Add the amount the oil companies are refusing to deliver to refiners, and you have exactly the 30 percent cut in gasoline supplies now reported by service stations.

Turning the U.S. into a Nazi coal economy

The Great Oil Hoax of 1979 has been in the planning for years. But we do not need access to the secret backroom meetings of the conspirators to know exactly how and for what the Great Oil Hoax has been put into operation. The gentlemen are explicit enough in public.

In January of this year, *International Affairs*, the journal of London's Royal Institute of International Affairs, published their scenario:

"The energy 'crisis' arises when the fit between the amounts demanded and supplied is brought about primarily through a drastic effect of rising prices...although the governments of consuming countries could also resort to rationing if they chose. In either case, some consumers, some businesses, *even whole industries* would find it necessary to cut back production. ... Some countries would find themselves unable to pay for oil imports on a scale sufficient to sustain economic activity. The 'crisis' therefore would largely be one of industrial stagnation and unemployment. ... a variety of 'scenarios' have been constructed on varying assumptions." (emphasis added)

There is no oil shortage. As the *International Affairs* article states, the purpose is to raise the price of oil from \$20 a barrel to \$35 a barrel—for oil which six months ago sold for \$12. Only by raising the price of oil to astronomical levels can the oil hoaxsters make their *nonproductive* energy alternatives profitable.

In 1973, a closed seminar held by the Hudson Institute in New York projected that alternative energy sources like oil shale, coal gasification, North Sea oil, and other exotic technologies could not become "economically viable" until world oil prices reached levels of between \$20 and \$35 per barrel.

On national television June 3, 1979, John Swearingen, chairman of Standard Oil of Indiana (AMOCO), declared that the solution to the energy crisis was near. "I desire the price of world oil to reach \$25 per barrel," he said. "The oil companies need this now if we are to develop alternate coal gasification and oil shale." Swearingen smugly concluded: "I hope to see \$1.50 per gallon gasoline in the very near future."

The men who sit on the board of directors of the oil companies are the same men who sit on the boards of

the leading New York and London banking and investment houses. This banking apparatus, which established the 1944 Bretton Woods system and the International Monetary Fund, is bankrupt. The solution they have put forward to stave off financial bankruptcy is austerity—the imposition of a Nazi coal economy to loot the world's productive economy and its labor force.

The so-called alternatives the oil hoaxsters want to put into place are thus low-technology, low-energy sources to be fueled by slave labor. The Great Oil Hoax of 1979 brings Auschwitz—the model coal gasification factory to fuel the Nazi war machine—to the U.S.A.

Because these alternatives demand low-technology and low-skilled labor, they are unprofitable. Who will pay for them? The taxpayer—in a swindle that makes the current oil hoax pale in comparison.

James Reston declared in the *New York Times* June 7 that the government must finance "an institution like the Reconstruction Finance Corporation of World War II to help private industry produce 5 million barrels of synthetic oil." The cost: \$100-200 billion in taxpayer's money over the next five years. This money would be funneled through a Petroleum Reserve Corporation "issuing bonds guaranteed by the government to build new plants owned by private industry."

Who will hold the bonds? Felix Rohatyn, scion of London's Lazard Freres, and the other London-New York investment houses.

Rohatyn is already moving into implementation phase for the same swindle in the Northeast, to be called the Energy Corporation for the Northeast. Encono would function in precisely the same way: it would turn the nuclear power-dense Northeast to a coal economy based on slave-labor, to be subsidized by the government, with Lazard holding the bonds. A bill for its creation has been introduced into Congress by Sen. Henry Jackson.

House Majority leader Jim Wright this week won Carter's backing for a bid to provide federal subsidies for a national synthetic fuels program based on potential needs in wartime—the Nazi military model. The bill has passed the House Banking Committee.

And who will benefit from the return to a coal- and coal synthetic-based economy? The oil companies—who own the vast tracts of coal reserves in the United States. The Continental Oil Co. also owns one of the nation's largest coal companies, Consolidated Coal, with major holdings in Appalachia and the Rocky Mountain region. Royal Dutch Shell, British Petroleum, Exxon, and Atlantic Richfield all have major holdings in coal in the United States, Australia and elsewhere. Since the late 1960s, the major oil companies and investment houses like Lazard Freres have been quietly buying up big leases on government land with large coal reserves.

—William Engdahl

An energy policy for America and the world

This statement was issued by Lyndon H. LaRouche, presidential candidate and chairman of the U.S. Labor Party.

I call upon the American people, trade unionists, minorities, industrialists, and other patriots to save our nation from the economic catastrophe facing us. The so-called oil shortage is an artificial crisis caused by an evil band of speculators, by multinational oil company monopolists, and by financiers who are criminally manipulating the American people and the world for their own antihuman ends.

The policies are readily at hand to solve both the short-term crisis caused by speculation and the long-term task of developing new energy sources to power us into an unprecedented boom of industrial and technological prosperity. I call for your support to carry out these policies:

1. Penalize the speculators—The U.S. Congress and appropriate governmental agencies must carry out a full-scale investigation of the oil multinationals, pursuant to imposing stiff penalties for speculative price rigging and profiteering, and to jailing those executives complicit in the destruction of the U.S. economy.

2. Fire James Schlesinger—Energy Secretary Schlesinger must be stripped of his dictatorial powers to allocate oil, and be removed from office pending congressional and Department of Justice investigation on charges of criminal malfeasance in his sabotage of our energy policy in collusion with the oil companies.

Congress must immediately launch an investigation of Sen. Edward Kennedy, focusing on his call for the U.S. government to subsidize oil purchases by the multinationals on the Rotterdam spot market. Gov. Jerry Brown of California and other public officials must be subjected to similar investigation of possible criminal collusion with the multinationals.

3. Shut down the Rotterdam market—The United States must join the efforts of the French, West German, and other governments to shut down the speculative oil markets in Rotterdam and elsewhere which are being used by the British and Dutch monarchies and their multinational oil companies to drive up the price of oil at astronomical rates.

4. State-to-state deals for oil—We must end once and for all the monopolistic control of the Seven Sisters over the purchase and distribution of oil and gas. To that end, the United States must follow the lead of other nations in carrying out state-to-state deals between the producer and consumer nations and negotiating long-term contracts at stable prices directly with the producing nations and their national oil companies. These initiatives will be subsumed under the broader objective of large-scale, capital-intensive technology transfer to the Third World.

5. A global solution—I enthusiastically join with Mexican President José López Portillo, French President Giscard d'Estaing, and the oil-producing nations of the Organization of Petroleum Exporting Countries (OPEC) in making energy the "common responsibility of mankind," as President Portillo has said. Mexico, as a major oil producer, has proposed the convening of a world energy producer-consumer conference, under the auspices of the United Nations, for the purpose of taking action to ensure cooperation, not confrontation, in having a stable energy supply.

The main points to be discussed are: (1) restrain prices of petroleum and gas; (2) increase oil and gas production; (3) fund the development of new energy sources and new technologies, like nuclear, throughout the world; (4) transfer technology for energy production and industrial development to the developing sector and create a credit mechanism to carry this out.

The Mexican proposal, which has the support of France, the European Community, and the socialist countries, represents the first formal step in establishing the New World Economic Order.

6. Rapid development of nuclear energy—Nuclear energy is a safe, economical energy source that will ultimately replace fossil fuels. This requires rapid construction of new fission power plants, development of fission fast breeder technology, and finally a crash international effort along the lines of our NASA program, for the commercial development of controlled thermonuclear fusion power.

Who's behind OPEC's 'price hawks'

The answer to the question, "Why are so many of the member countries of the oil-producing nations' cartel set on raising oil prices?", may seem to the naive observer to be one of "supply and demand" or some innate Hobbesian "greed" afflicting backward sheikhs. But these answers are nonsense, as should be obvious from the price-restraint attitude of the Saudis and others in the cartel.

In fact, however, the answer to the question *is* a simple one: many in the Organization of Petroleum Exporting Countries, in particular the Arab members but also Nigeria, Indonesia, and others, are under the gun of a centrally coordinated assault that is threatening their internal stability and sovereignty. Many of these governments feel compelled to appease that assault by adopting an irrational "anti-Western" posture. The forces mounting the assault: the conspiratorial Muslim Brotherhood, the shock troops for London's Dark Ages policy in the Middle East.

The Muslim Brotherhood's role in organizing the OPEC end of the current oil hoax is from recent events in Iran. It was the primitivist Brotherhood, operating through feudal networks in Pakistan and Iran and with international support from the Bertrand Russell Peace Foundation and other London institutions, that put Iran's Ayatollah Khomeini in power and has been running policy in Iran ever since. Not surprisingly, it has been the Khomeini clique that has been at the forefront of jacking up oil prices, cutting production, and feeding a mood of "anti-Western" resentment throughout the oil rich Middle East.

Since their installation in power, the Khomeiniacs have threatened the governments of many oil-producing countries with being overthrown if they didn't endorse the primitivist "Islamic revival" policies worked out in Qom, Khomeini's seat of power. With the aid of the opportunistic Colonel Qaddafi of Libya, the London-run Khomeini forces have forced Algeria, Iraq, Nigeria and others into a "militant" posture that has fed into the oil companies' speculative binge and undercut the ability of proprogress forces in the advanced sector to organize an effective campaign for transfer-of-technology-based development projects for the developing world.

This holy war against progress received a major boost when the London-based Islamic Council of Europe late last month issued a call to Muslim peoples

around the world to "liberate themselves by whatever means possible from oppressive non-Muslim governments." The Islamic Council is notorious as a command center for the Brotherhood's legions.

In the following report, *Executive Intelligence Review* will outline case examples of Muslim Brotherhood subversion efforts—in North Africa, Indonesia, and Nigeria—and will demonstrate, from the example of Iran's internal situation, how the Brotherhood creates and manipulates mass psychosis and policies of economic suicide in the leading institutions where they seize control.

Our report concludes with an account of the Muslim Brotherhood's establishment of the Muslim Students Association of the United States and Canada which is based just outside Indianapolis. There a large plot of farm land may be being readied as a Muslim Brotherhood terrorist training ground.

—Mark Burdman

Cassette tapes attack technology in the Maghreb

In an interview last week with *Newsweek's* senior editor Arnaud de Borchgrave, Libya's President Muammar Qaddafi declared that he would halt oil sales to the United States unless Washington permitted the delivery of certain planes which have allegedly been paid for by the Libyan government.

The issue of the undelivered Boeing 747s and C-130s has bedeviled U.S.-Libya relations for the last three years and hardly constitutes the basis of a rupture in 10% of the U.S.'s oil imports. In reality, the mercurial Qaddafi's recent statements, which echo the same hawkish OPEC pronouncements from Algeria and Iran, reflect pressure from Muslim Brotherhood networks within OPEC which are seeking to provoke another oil hoax in the West. In control of these elements, albeit

on the "opposite side of the fence," are the London Royal Institute for International Affairs and British intelligence, together with the "Seven Sisters" oil companies, British Petroleum, Royal Dutch Shell and the U.S. oil multinationals which have contrived the current oil crisis.

Already wreaking havoc within Iran, the Ikhwan or "Brotherhood" is spreading like a cancer throughout the entire Middle East. And, although Qaddafi has outlawed the Muslim Brotherhood from his country, his fundamentalist, anti-Western pronouncements intersect with a growing resurgence of the Brotherhood's activities throughout the North Africa (Maghreb) region as a whole.

At this moment the populations of the Arab nations reaching from Egypt through Morocco are being bombarded with fundamentalist, Islamic propaganda, replete with the anti-West, antitechnology pronouncements which have brought the Iranian economy to a standstill. It is rumored that even in Algeria, whose economy has been regarded as a model for Third World industrial development, *maraboutism*—a form of Arab witchcraft—is on the upsurge among the peasant populations.

By introducing these feudalist notions among the peasant layers who remain estranged from the necessity of progress because of their economic and cultural backwardness, the Muslim Brotherhood is creating peasant hordes to be mobilized against the Maghreb nations' protechnology factions which are seeking to industrialize their countries. Under the severe pressure of this propaganda which is submerging the Maghreb countryside, Arab leaders who ought to know better have suddenly come out in OPEC and other organizations calling for a "showdown with the West."

Cassette tapes attack Western technology

Khomeini's Muslim Brotherhood networks are represented most explicitly today by the blind Iman, Sheik Abdelhamid Kouchk. In touch with the key religious nerve centers of the Maghreb, the blind Imam's speeches are reproduced in cassette form from his mosque in Cairo and then distributed through his networks in Tunisia and Algeria.

Sheik Kouchk repeatedly attacks Egypt's President Sadat for his "modernization" policies. Claiming that Egypt's political elite is corrupt, Kouchk preaches that

Egypt must return to traditional Islamic life. Under the pressure of his supporters, the Egyptian Parliament has been forced to reintroduce the Sharia, the primitive Islamic legal code, which condones public beatings and the chopping off of the hands of convicted thieves.

While such mass propaganda tools provide a legal cover, the real subversion of the Muslim Brotherhood is conducted through various terrorist underground groups, such as Al Takfir wal Hegra (Repentance), which two years ago assassinated the Egyptian Minister for Religious Affairs, Mohammed el Zahaby. Besides political killings, this group has been involved in international drug and gun running. According to a recent article in the Paris daily *Le Monde*, 7000 Egyptian soldiers were needed to shut down an Israeli gun-running center in Assiut, a fundamentalist stronghold located in Upper Egypt. The magnitude of the gun running can only be matched by the drug trade in the area. The Assiut region is known to be one of the most highly profitable opium-growing centers of the world. Here, as in Iran, fundamentalist armed bands supervise the cultivation, distribution and sale of drugs.

Sheik Kouchk's cells are spreading into Tunisia as well. According to the March 14 French weekly *Jeune Afrique*, a Tunisian shopkeeper sells approximately 500 cassette recordings of the Sheik's sermons per month. Also in mass circulation are the works of Hassan El Banna, the founder of the Muslim Brotherhood, and his disciple Sayed Qotb. Also circulating are the theoretical works of the Pakistani poet Mohammed Iqbal, a ringleader of the Pakistani fundamentalist opposition to the pro-Soviet government of Afghanistan. Iqbal regularly travels from London to Pakistan to organize Muslim Brotherhood resistance to the modernizing influence of the Iraqi and Afghan regimes.

"The end of the world" in Algeria

Since the untimely death of Algeria's President Houari Boumedienne last December, Algeria has increasingly been exposed to a wave of Islamic fundamentalism. During his assignment to cover a March congress of the Front de Liberation Nationale (FLN) Algeria's political party, a reporter from the French weekly *Le Nouvel Observateur* observed to his astonishment that a certain Iman Sahnoun, who was based in a suburb of Algiers, was preaching that the end of the world would arrive on a Friday. "It won't be announced," he said, "but one must be prepared."

This end-of-the-world psychosis was recently propagated throughout the Algerian countryside through a "chain letter" distribution network. According to the official Algerian daily *El Moudjahid*, which has been regularly exposing the activities of the Muslim Brotherhood, thousands of peasants were duped into reproducing the letter and passing it on to others. The letter

predicted that the end of the world would come in 1978! *El Moudjahid* traced this operation to Muslim Brotherhood networks in the Medea and Algiers regions. The Algerian weekly has also warned that certain Imams, circulating among the peasantry, are preaching that praying on "nationalized land" is a sin. This is a direct stab at the Algerian government's attempts to introduce the rural population to advanced agricultural techniques.

A primary launching pad for the subversion of Algeria's industrialization plans is the Sufi center located in Meknes, Morocco. Situated just at the Algerian border, this center preaches the necessity for Islam to return to its "mystical," i.e. primitive, roots. Known to have direct links with its Turkish counterpart, the Whirling Dervishes, the center is a major source of the resurgence of maraboutism, a practice wherein a goddess figure, with supernatural healing powers, is worshipped.

Polisario conflict heats up

Against the backdrop of the fundamentalist upsurge throughout the Maghreb, the threat of a war between Morocco and Algeria over the contested Western Sahara has resurfaced in the last two weeks. Last week, Moroccan King Hassan II convened his National Security Council to brief them on the recent incursions of the Algerian-backed Polisario into Morocco territory. The Polisario, which receives logistical support from the Algerians, has claimed rights to the former Spanish colony known as the Western Sahara. In an attempt to solve this nagging dispute, France, Saudi Arabia, Spain and Algeria engaged in an intensive round of diplomacy during the month of May. According to French press reports, the parties in the dispute had come very close to a viable solution, under which the Polisario would be given the Mauritanian-controlled portion of the Western Sahara. This process was reversed with the death of Maruitania's Prime Minister Mohammed Ould Bouceif in a suspicious plane crash. Immediately afterwards, the Polisario launched a series of attacks inside Morocco—actions which led Hassan to put Algeria on notice.

According to the French Communist daily *L'Humanité*, Hassan received the "green light" to pursue war against Algeria from none other than U.S. Zionist lobby spokesman, Jack Javits. In a visit shrouded in secrecy, both Javits and Undersecretary for Defense Charles Duncan stopped over in Morocco in the early part of June. The danger of open conflict remains, as the June 10 issue of *Le Monde* reports that Moroccan troops have been moved from their positions in the Western Sahara to the Algerian border at Bechar and Figuig.

—Mary Jane Coates

Khomeini's Iran: drugs, corruption, a 'bust OPEC' policy

With Ayatollah Ruhollah Khomeini and his entourage of corrupt mullahs at the helm, Iran has rapidly become the command center for the London- and Muslim Brotherhood-backed strategy for busting OPEC and undermining the entire Muslim world.

Not only has Iran been leapfrogging in a rush to jack up oil prices, making its prices the highest in the Persian Gulf. Iran has also decided to cut back in its production of oil, a move that will only feed the current "oil shortage" swindle being run by London and U.S. Secretary of Energy James Schlesinger, and lead to another round of price hikes that could knock the underpinnings out from the U.S. and other economies.

This was foreshadowed when Schlesinger intoned that Iran is a "potential point of destabilization in the world oil market" in Washington, June 6.

Last week, the chairman of the National Iranian Oil Co. (NIOC), Hassan Nazih, announced that the NIOC's budget has been slashed by more than half. In addition to a drop in output, the budget cut will mean that future programs for new oil and gas exploration, drilling, and secondary recovery are canceled. Already, Nazih revealed, Iran is turning away prospective oil buyers to keep oil exports at about 3.2 million barrels per day, 65 percent of the pre-Khomeini level. "Our contracts are such that we can raise the price at any time," Nazih stated.

Nazih also announced that it is "90 percent certain" that the new Soviet-Iran gas pipeline will be canceled as well. Already, work on the Iranian end of the pipeline has been halted on the grounds that "the export of gas is not beneficial to Iran" because it is "uneconomical." Another gas pipeline to the Soviet Union, currently in operation, is expected to be taken over by the Khomeini government and used solely for domestic purposes.

The decision to cancel the pipeline projects is a blow at triangular trade and oil-for-technology deals among Iran, the Soviet Union, and such European countries as West Germany, Austria, Italy, and Czechoslovakia.

Khomeini targets Iraq

The leading edge of Iran's "Bust OPEC" strategy is Khomeini's operation against Iraq. In an effort to

create a crisis among the Arab oil-producing countries, Khomeini and crew are pushing to provoke a war with the Iraqis and to topple the Baghdad regime. In a June 6 editorial in Khomeini's party paper *The Islamic Republic*, Khomeini challenged Iraq:

... The Takritis (Iraq's ruling family) and company seem to think they can thus prevent their suppressed peoples from encountering Iran's Islamic ideology and open a path for their [Soviet] masters to warm water ports in the Persian Gulf. Iraqi leaders have not yet learned the lesson from our revolution. They cannot understand that a nation which toppled the greatest arsenal in the region with its bare hands can also tear to pieces the ivory tower in which the Iraqi government exists. Such provocations and conspiracies will cause a deep distress among our Moslem brothers over the border which, in turn, will lead to the overthrow of the regime.

Last week in Teheran, 4,000 Khomeini supporters demonstrated in front of the Iraqi embassy, calling for an Islamic uprising in Iraq and chanting, "Down with [Iraqi President] al-Bakr; Khomeini is the chief of the Iraqi people."

Khomeini is actively stirring up Iraq's Shiite population to revolt against Baghdad. Last month, Iran named Seyed Mahmoud Doai, a Shiah mullah, as ambassador to Iran. The strongly anticlerical Baath Party of Iraq deeply resented the appointment.

Khomeini's provocations may very well lead to war with Iraq. The catalyst for confrontation would be the growing crises in Khuzestan and Kurdistan, where Arab and Kurdish separatists, spurred by the reactionary mullahs, are agitating for autonomy. In the case of oil-rich Khuzestan, located in eastern Iran bordering Iraq and populated largely by Arabic-speaking Iranians, Khomeini has been blaming the insurrection there on the Iraqis. Admiral Ahmad Madani, the governor of Khuzestan, charged Iraq with "flooding Iran with weapons" and attacked Iraqi leader Saddam Hussein for "receiving money from the ex-Shah's agents and running arms into Iran." The on-the-scenes ringleader of the Khuzestan insurrection, which threatens to further disrupt Iran's oil output, is one Ayatollah Khaqani.

Meanwhile, in Kurdistan—an area that straddles Iran, Iraq, Syria, and Turkey and that has long been Great Britain's favorite playground for instigating separatist rebellion against central authority—Iran is deliberately pushing for a confrontation with Iraq. Last week, four Iraqi jets reportedly crossed the Iranian border and bombed a Kurdish outpost in Iran. Although Iraq denied this incident and despite the fact that the Iranian air force admitted that it had "detected no border violation" by Iraq, the Iranian Interior

Ministry has strenuously protested the alleged action. The *Financial Times* reports that Kurdish warlord Jalal Talabani and elements of the old militias of Mustafa Barzani are involved in the Kurdish unrest and that they have jointly declared war on Iraq and Turkey.

Drugs, executions, corruption

Khomeini's ability to carry out his provocations against Iraq and OPEC, and against the Soviet Union, Turkey, and Afghanistan, is explained and augmented by the complete corruption that has overtaken Iran.

Under Khomeini, the fabric of Iranian society has unraveled. The *Frankfurter Allgemeine Zeitung* reported June 11 that opium, hashish, and heroin are freely circulating in Iran's streets, especially in autonomy-seeking Kurdistan and Azerbaijan, Iran's two major opium-producing areas. With Khomeini's ban on liquor and his sanctioning of opium, consumption of both hard and soft drugs has skyrocketed. According to one drug trafficker interviewed, people dealing in drugs, unlike in the Shah's time, have no need to worry about arrest. The police do not exist, he gloated, and Khomeini's Revolutionary Guards, who are supposed to be dealing with the matter, are instead dealing in drugs themselves. "Most of the Revolutionary Guards are addicts," the source asserted. An estimated 5 percent of Iran's population is thought to be hooked on dope.

According to the June 7 *Financial Times*, Iran's opium traffic is run out of London's black market, together with Iran's gun smuggling operation.

Rampant drug addiction is not the only hallmark of Iran's "new society." Random executions continue to take place regularly, keeping the population in a continual state of terror and submission to Khomeini's regime. Iranians who reject his Islamic rule, Khomeini warns, will be "smashed by the same fist that destroyed the Shah." Praising "lower-class people, the women of Qom, of southern Teheran, of the poor quarters of the city," Khomeini attacked the middle class, the intelligentsia, lawyers, critics, and republican forces.

According to high-level Iranian sources, the mullahs are fueling the Khomeini mania. Each one is on top of his own fiefdom, pushing boondoggles and corruption. A number of mullahs are reportedly upset with Khomeini for monopolizing the graft and corruption.

On the economic level, chaos rules. "The Iranian economy is to be run at a much lower level than in the past," the *Financial Times* confirmed recently, asserting that the extremist anti-West economic policies of Revolutionary Council economic advisor Abdulhassan Banisadr are finally being implemented and that he has become the dominant force in Iran's economic program. Feeding the chaos was the recent announcement that Iran has decided to nationalize all banks, foreign and domestic, in Iran—a move aimed at jeopardizing international trade and commerce and at reinforcing the newly-created Islamic Bank, along whose lines the country's banking system is to be remodeled.

—Nancy Parsons

From an oil economy to a dope economy

Here are excerpts from an article appearing in the Swedish daily Svenska Dagbladet, May 29.

In the fertile areas of Iran, the peasants have already started to harvest the biggest harvest of opium poppies in a century....

In Iran, dealers can now sell opium and hashish openly in the street, and in central Teheran you see drug addicts everywhere in the streets.

The political and religious leaders in Iran are increasingly concerned with the situation. ... But it is probably too late. The harvest is ready and is already being taken in, and the peasants are counting on making big profits. Peasants throughout Iran took the

chance to plant the poppies when the security forces of the Shah collapsed.

In connection with the dissolution of the Shah's power during the Khomeini revolution, enormous amounts of weapons were being circulated. In the villages as well as in the cities, those who plant, sell, and use drugs have access to weapons.

They do not intend to stop their activities very soon. The producers and consumers of opium probably consider themselves better armed now than the police if an open fight about drugs were to break out.

Sayyed Nassrullah Zadehan, who heads Iran's biggest institution for the treatment of drug addicts, estimates that there are around 2 million drug addicts in Iran, or 5 percent of the population. Unemployment, lack of adequate pharmaceutical drugs, and the recent harsh ban on alcohol have driven many to drug addiction.

Iran treatment looms for Indonesia

Nominally the largest Islamic nation in the world, Indonesia is a major oil supplier to Japan. It is ruled by a strictly secularist government that is eager to achieve rapid industrialization in cooperation with Japan and Western countries. Their aggressive industrialization policies have more than once earned the ire of World Bank planners who oversee the nation's \$10 billion of foreign debt.

Under continual pressure from the World Bank to abandon its modernization program for labor-intensive rural development schemes, there are ominous signs that Indonesia is now slated to undergo the same feudalization drive that the London-backed Islamic fundamentalism brought to Iran.

The industrialization policies have for over two decades irked the country's Muslim Brotherhood-connected Islamic political, student and religious organi-

zations, which see the military-backed government of President Suharto and its secularist policies as a threat. Figures such as Mohammad Natsir and General Nasution have recently stated their intent to oversee the Iranization of Indonesia in the *New York Times*. In league with organizations like the Muhammediyah, they currently oppose the Suharto government, and for the past two decades have worked in collusion with Anglo-American intelligence services. Mohammad Natsir, at age 70, is currently the leading Islamic figure linked to Muslim Brotherhood circles since the early 1930s.

Though no riots or demonstrations have been staged in recent months, these networks were responsible for the 1974 anti-Japanese student riots which helped to smash Japanese Prime Minister Tanaka's efforts to establish oil-for-technology deals between Japan and Indonesia.

During the events following the Communist coup attempt in 1965, these same networks carried out the hideous massacre of between 500,000 and a million suspected Communists. In 1958 Mohammad Natsir, as chairman of the now outlawed Islamic Masjumi Party (which was funded by the CIA) led the so-called Outer Island rebellion with the aid of the CIA and British intelligence.

Muslim Brotherhood: a legacy of British rule in Nigeria

The Muslim Brotherhood has extensive capabilities in Nigeria, the largest black African country and the second largest supplier of oil to the U.S. after Saudi Arabia, to pressure or destabilize the government. This is particularly critical now for the Nigerian government, since it is attempting to implement a return to civilian rule for the first time since 1966 and the disastrous civil war of the later 1960s.

Roughly half of Nigeria's population is Muslim, living to a large extent in northern Nigeria. During the colonial period the British deliberately kept this region separate from southern Nigeria, while preventing any modernization and industrialization from taking place.

As a result, the power of the traditional Islamic leaders was entrenched. A recurring theme during constitutional debates in Nigeria has been whether or not Moslems should be subject to the law of the state as well as the law of the Koran (*sharia*).

In 1966, prior to the civil war, tens of thousands of Nigerians from the south were slaughtered in the north following a coup attempt that involved the assassination of several leaders, including the prime minister, a northern Muslim. The premier of the northern region, who was also the traditional Muslim leader of the north, was also assassinated.

Of the five civilian candidates for president in the upcoming Nigerian elections, three are reportedly members of the Muslim Brotherhood. Already there have been events which could lead to a repeat of the social breakdown of the 1960s, including rioting between supporters of different candidates; these outbreaks have led responsible Nigerians to warn about the possibility of just such a breakdown.

U.S. safehouses for Muslim Brotherhood

Following the crackdown by Egypt's President Nasser against the British-intelligence-created Muslim Brotherhood cult in 1954, the leaders of the Brotherhood fled Egypt. They left under the threat of arrest and even execution, to the relative safety of British intelligence safe houses in London and Geneva. Many of them—professional assassins, terrorists, saboteurs, and spies for British and Israeli intelligence and the CIA—were wanted for trial in Egypt.

Now, 25 years later, some of the very same individuals are living and working in the United States, protected by corrupt U.S. government officials and by organized crime figures, under the cover of the Muslim Brotherhood front group the "Muslim Students Association of the United States and Canada," or the MSA.

The MSA—and an interlocking group of other institutions, including the Cultural Society and the North American Islamic Trust—is headquartered in Indianapolis and Plainfield, Indiana. In a lonely field outside the Indiana capital, on a 123-acre abandoned farm, the secret Muslim Brotherhood is establishing a command center for the worldwide subversion of the Muslim world on the model of the fascist regime of Ayatollah Khomeini in Iran. In fact, the organizers of the MSA—one of whom is Ibrahim Yazdi, currently Iran's foreign minister and a key aide to Khomeini—were very much responsible for installing the Khomeini regime.

According to the results of a continuing investigation into the Muslim Brotherhood and its worldwide empire by the staff of this news service, the leadership of the MSA and its related entities is directly related to British intelligence, the Zionists, and a secret network of foundations in Switzerland and London.

The American Connection

The Brotherhood, unable to function effectively in the Middle East in the 1950s because it was suppressed in every Arab state, began at that time to infiltrate its leadership from London and Geneva into the United States, according to highly placed sources. Its target was the increasing number of Muslim students being sent to American universities. The Brotherhood saw its opportunity to organize a fifth column for the subversion of the Muslim world.

Today, with the help of millions of dollars in financial assistance from British intelligence sources in the

Arab Gulf countries such as Qatar and Kuwait, the Brotherhood-MSA apparatus has established a huge headquarters. Among the entities there are the following:

- the MSA itself;
- the North American Islamic Trust;
- the Research Center;
- the Islamic Teaching Center;
- a publishing company;
- a network of Brotherhood-controlled business fronts that serve as conduits for illegal money;
- the so-called Documentation Center, which has a \$2 million computer with a 100-line telephone linkup, highly secret and reported to be engaged in intelligence activities; and
- a job placement agency, whose purpose is to place Muslim Brotherhood agents into top-level official and other positions in the Muslim world.

In addition, the MSA owns a large tract of land—said one source, "You could train an army there"—and is reportedly already constructing a shooting range. Informed sources say that the farm will be used as a terrorist training center.

The secretive leadership of the Muslim Brotherhood, whose names are not officially made public, includes the following, some of whom are former terrorists from the Arab world: Ahmed Elkadi, Mahmoud Abu Saud, Mahmoud Rashdan, Jamil Barzanji, Mohammed Shamma, Hisham Al-Taleb, Eltijani Abu Jederi, and Anis Ahmed. The *rais*, or leader, is Elkadi of Pensacola, Florida, a fanatic and an advocate of violence and terrorism.

Elkadi, who in 1968 in Texas collaborated with Iran's Yazdi, is a frequent traveler to Europe to meet with the network of London's Brotherhood clique, including Yusuf Nada and Said Ramadhan. Ramadhan was indicted for the attempt in 1954 to assassinate Nasser, but escaped. Nada and Ramadhan put up over \$1 million for the MSA Documentation Center computer.

Nada and Ramadhan are tied into the entire Muslim Brotherhood apparatus of Europe, which was exposed in a recent issue of the *Executive Intelligence Review* ("Muslim Brotherhood: London's Shocktroops for the New Dark Ages," EIR, Vol. VI, No. 8, May 8-14, 1979).

—Bob Dreyfuss

The gasohol hoax

Plan could cut overall consumption percent, wreck farming

An organization dominated by the Kennedys, calling itself the New England Energy Conference and led by Senator Paul Tsongas (D-Mass.) issued a call this week for the United States to reduce consumption of fossil fuels by 50 percent in the space of one decade. American industry, according to the proposal, should burn wood to fuel factory operations.

At the Federal level, Senator Henry "Scoop" Jackson, with 18 co-sponsors inclusive of the Senate Energy Committee majority, has introduced an Omnibus Production Bill with a like-minded thrust: eliminating nuclear energy and emphasizing the energy "alternatives" in which the crumbling Nazi German economy dabbled—shale-oil, solar power and "biomass conversion," which would include the New England conference's wood-fuel. A featured item under the "biomass" category, however, is "gasohol," the mixture of gasoline (90 percent) and ethyl alcohol or ethanol (10 percent) whose consumption is now being pushed on American motorists.

The intent of such proposals is to make the United States into a feudal nation. Any of the "alternatives" mentioned as energy resources would have this result, because of the deindustrializing effects of the vastly

reduced energy throughput they would entail for the economy as a whole. As "energy alternatives," they are a hoax. "Gasohol" is a perfect case in point.

Gasohol is a double hoax. Its introduction on any significant scale, as in Brazil today, would absolutely reduce the fuel-energy supply and the energy-efficiency of American transportation, tending to make the current fuel-energy hoax into a real, worsening shortage. But just because gasohol could never significantly contribute to transportation fuel needs, unless mechanized transportation were drastically reduced, its advocates are more immediately concerned with the effects its production would have on American agriculture—the starting point of ethanol production. The effects of a gasohol-production program—and its purpose—would be a gross reduction in the productivity of American agriculture.

The simple hoax-nature of gasohol is demonstrated by its energy-efficiency credentials. Gasohol production uses up three times as much fuel-energy and fuel-energy products as its consumption can provide, at a greater dollar-cost than the fuel it replaces. Only a liar would call gasohol a "conservation measure."

The more sinister, purposive feature of the gasohol

Gasohol production: the facts

The basic facts concerning gasohol as fuel-energy are these:

1. A gallon of alcohol's production costs three to four times more in dollars and cents than the volume of gasoline it replaces, requiring that the government subsidize its production, to the tune of at least 66 to 88 cents per gallon, requiring higher taxes.

2. A gallon of alcohol costs from 2.5 to 2.8 times more fuel-energy to produce than the energy-value of the alcohol. The net result of gasohol production would be a growing waste of, in particular, natural gas and crude oil required for production ... not "conservation."

3. The net effect of these cost factors means the cost of producing ethanol, now higher than other energy fuels, must not only go still higher in the future, but increase at a more rapid rate than other energy-fuels.

4. Gasohol is "fuel efficient" only in a technologically backward nation like Brazil, providing more liquid fuel energy than its production consumes because its production employs only the energy of hand laborers, donkeys and push-carts, etc. The program could grow in the U.S. only through the de-mechanization of agriculture and distillation processes, a stated objective of "gasoholics."

Gasohol for food?

Because it is so expensive, gasohol is unpopular as an energy source. To make it more palatable, its proponents are proposing that its production could also yield a food substitute. According to Scott Sklar of the National Center for Appropriate Technology:

With fermentation, all you are taking is the starch and sugar out of the foodstuff. The protein and the vitamins stay. And that protein and vitamins can be used for people, which is why the World Bank has been interested. It can be used for cattle feed, which Seagrams gives out today. Or it can be used for fertilizer.

But, in all cases, you have to have an organic residue left and the most viable economic way to

dispose of that is either animals or people! So you're really not getting into 'food or fuel' issues....

The World Bank has always been concerned that America is sending its major grain to Third World countries. The Third World countries then become reliant on our food, then never try to develop their own basic food supply. They would much prefer the U.S. to supply food supplements, so that we could distribute high protein food supplements and that would be perfect for them.

And this stillage is perfect protein food supplement! It is easily stored; 40 percent lighter [than grain] and can last a longer time. And to me, that's the way to go! So that an Arab or African country raises their millet or their rice and then they pour on this powder and they have a balanced diet!"

program lies in the way it could disembowel the productive capability of American agriculture, with corresponding, far-reaching ecological results. A competent "environmental impact statement" on large-scale gasohol production would report a threat of damage to the environment on the qualitative order of a degradation of the biosphere as such.

The distillation of alcohol as a gasoline additive would require significant diversion of American croplands' output away from the food-cycle. Gasohol advocates, "gasoholics," state this to be an objective whether gasohol ever becomes a meaningful part of U.S. transportation fuel supplies. From the standpoint of the biosphere, plant vegetation as an element of the food-cycle represents a far more intensive and highly ordered energy flow than the same "biomass" constitutes when treated as fuel energy. The disruption of this critical energy flow is comparable to the far-reaching impact of deforestation (for wood-fuel and charcoal) on climactic, geological and biological processes. As a reduction of energy throughput in the biosphere, any program threatening food production, like gasohol, is a massive threat to the environment.

In this respect, the "gasohol" program is at least symbolic of the actual outcome of "New Dark Age" policies—the effort to produce a "new world order based on environmentalism" must instead produce an environmental holocaust potentially more devastating to life-forms than the thermonuclear variety.

The Federal program

Just as long lines sprouted at gasoline stations around the country, several Long Island, New York service stations began pumping "gasohol" into motorists tanks. At present, gasohol is being sold at about 800

stations in the midwestern corn belt and its influential proponents, including Senator Jacob Javits and Senator Charles Percy as well as several Carter administration officials, would like to universalize its use. In an April speech in Des Moines, President Carter committed himself to extending Federal subsidies and tax-breaks for gasohol producers.

Already, the Federal government has exempted gasohol from the 4 cent Highway Fund Tax until 1984. (Hence, 40 cents per gallon of "gasohol" is being cut out of highway tax revenues). In addition, ten states, mostly in the Midwest, have granted exemption from taxes or tax rebates. The Long Island publicity-experiment is being used by New York Gov. Carey to get such subsidies through his state legislature. In Kansas, the subsidy through exemption is equivalent to 85 cents per gallon, in Nebraska, 50 cents per gallon. Moreover, the Carter administration is seeking to make the Highway tax exemption permanent, and is already providing for a 20 percent investment tax credit on ethyl alcohol stills, while it considers other inducements to "raise demand."

The Carter administration currently plans for 500 to 600 million gallons of ethanol to be produced annually by 1985. Current gasoline production is roughly 110 billion gallons. Even this small percentage of gasohol substitution, under current subsidy arrangements, could cost the taxpayers \$600 million a year.

However, the evidence shows that existing subsidies will be nowhere near enough. Peter J. Reilly of Iowa State, referring to the energy-intensive nature of ethanol production which links its cost with other rising fuel costs, concluded his "Economics and Energy Requirements of Ethanol Production" by stating, "It is obvious ... that no single factor could possibly make gasohol

competitive without tax subsidy, and it is very difficult to envision any group of factors doing so. If anything, it appears that the gap between gasohol and gasoline will widen or stay constant in the future."

Cloud Cray of Midwest Solvents Corp., a highly efficient ethanol producer, told a seminar on gasohol in Brazil that his company's production facilities to just break even, would have to be subsidized at 66 to 80 cents per gallon of ethanol mixed with gasoline, double the fuel value of the ethanol. He also delivered Congressional testimony reporting that taxpayer subsidy of ethanol production for gasohol would have to equal \$3.12 per bushel of corn used, much more than what the farmer was paid. He concluded, "We think it is absolutely ridiculous that any government would subsidize an industry to the extent of twice its value for any appreciable period of time."

Yet that appears to be what the Carter administration and other "gasoholics" have in mind.

Senator Birch Bayh (D-Ind.) exhorted the Senate last summer, "it is my fervent hope that we can learn something from the Brazilian government's efforts in this area. ... Alcohol fuels work in Brazil, and they will work in the United States, if given a chance."

Senator Jacob Javits argues that alcoholic fuel made from fermenting a wide variety of food crops and agricultural and urban wastes is the ideal way of reducing American dependency on the Arab-OPEC oil suppliers, while at the same time putting our own land and people to work.

But Mr. Cray of Midwest Solvents has refuted both Bayh and Javits. "We say you are not reducing imports from abroad with this ... gasohol program. The only way you can ... is like Brazil does, bring your biomass to market in horse carts and burn it, or cut your forests down and bring them in, or use some other source of energy to convert this grain or agricultural source" into alcohol.

The Brazilian model

The Brazilian system Mr. Gray referred to employs a half-million virtual slaves producing sugar-cane at a wage of \$3 per day. It takes some 350,000 more laborers to produce a mere 70,000 barrels of alcohol per day. His point: the only way one can successfully produce alcohol from crops with a greater fuel value than the fossil fuels consumed is at the price of using cheap human hand labor and animal traction in every phase of the production process, from crops to transport to collection of crop residues to fermentation and distillation. With the use of mechanized processes befitting an industrial nation, countless studies have demonstrated that the energy-efficiency of alcohol production for fuel is sharply negative.

In short, gasohol appears "efficient" only in a technologically backward nation that plans to stay that

Gasohol energy efficiency

Gasohol yields only one-third to one-half the energy it takes to make it. The breakdown.

Energy inputs	Energy quality	Energy/Min. BTU	
		Corn	Sugar cane
Ag. production	High	2.1	1.8
Simple sugars	Medium	2.2	1.7
Fermentation and distillation	Low	6.4	5.1
Stillage drying	Low	1.2	1.2
Total		11.2	9.8
Energy outputs			
Ethanol	High	4.1	5.6

Note: "High" indicates liquid fuel of a quality required for internal combustion. "Medium" and "Low" indicate heats required at or below the boiling point of water.

way, or in a nation that is being deindustrialized and made backward.

For example, Midwest Solvents Co. is the most energy-efficient grain alcohol producer in the country. It still has to use 139,000 BTUs of natural gas or no. 6 fuel oil to ferment and distill a mere 85,000 BTUs worth of alcohol. This ratio does not include consideration of the energy involved in producing and transporting the sweet sorghum, corn, and wheat required. "Estimated conservatively," says Mr. Cray, "it takes 2.72 times the energy to produce one gallon of alcohol, if you consider all these other inputs to the process."

Even gasohol advocates like William Scheller of Nebraska, accused by the Department of Agriculture of fudging experimental data in favor of the program, and Edward Lipinski of Battelle Laboratories in Ohio acknowledge a 2:1 or 3:1 ratio between the total energy input and ethanol output (see chart).

In fact, the energy efficiency ratio taken from the standpoint of the economy as a whole, and not simply the ethanol production process itself, turns out even worse.

Seeking ways to eliminate fossil fuels from the distilling process, gasoholics have pointed to sugar cane, as in Brazil. By drying out water-laden fibers (bagasse) and then burning it to provide heat—not an easy task—you can theoretically cut down use of liquid fuels to the point of expending only 3.3 million BTU liquid fuel to obtain 5.6 million BTU alcohol. However, the U.S. has only 1.7 million acres of land suitable for sugar cane, capable of meeting only 1 percent of overall fuel needs if all were employed for this purpose.

As a result, the gasohol program now focuses on the burning of corn stalks and wheat straw, the latter

currently plowed under in the great midwest grain belt as a necessary source of oil nutrients. The energy-efficiency result? Dr. Leonard Schruben of Kansas State, writing in an article, "The Gasohol Bubble," calculated it would take 50 percent more straw than all the straw in Kansas to replace coal in a single Kansas electrical plant. "If stalks or straw, etc. are removed from the field, additional fertilizers would be needed to replace the plant nutrients lost. Fertilizer is energy costly. And costs of controlling erosion would increase if residue and organic matter were not returned to fields."

Gasohol vs. agriculture

The logic behind the gasohol program keeps coming back to the same point. Just as the program can only succeed as American industry becomes more backward, gasohol production can only proceed by effecting a major reduction in the productivity of American farmers. Gasoholics confirm that this is their objective.

Scott Sklar, a former Javits aide now of the National Center for Appropriate Technology, laments that U.S. agriculture is so efficient "It only employs three percent of the people but consumes 25 percent of the energy." His organization's aim, he admitted, was to use the gasohol program as part of a plan to induce farmers to abandon high-technology energy-intensive methods which have doubled productivity in one generation in favor of returning to the primitive approach of the Maoist peasant.

America's technology-proud farmers have known for a long time that one can obtain heat from burning stalks. But why waste the effort to do so? Dr. Lipinski, writing in Swann's Energy Digest, says that "motivation of the farmer to collect and handle lower-valued biomass—corn stalks or straw—may take the form of direct use of biomass to dry grain or operate irrigation pumps where the benefit to the farmer is immediately evident. Other categories of processes with viable motivation include toll arrangements in which the farmer sells a biomass raw material and buys back nitrogenous fertilizers or tractor fuel made from biomass (gasohol)."

With such persons as former vice-presidential candidate Senator Robert Dole (R-Kansas) in the lead, many farmers are being duped by a massive "educational" campaign to the purpose of eliminating agricultural productivity.

Gasohol or moonshine?

The *Economist* magazine of London, in a May 19 article, "Stepping on the gasohol," firmly endorsed President Carter's promise of an \$11 million loan program for small-scale stills on "family farms" as a

"stimulus for development of a new cottage industry." Scott Sklar says that thanks to the gasoline hoax, he now draws 500 to a thousand farmers a night to his midwestern gasohol "teaching sessions." Sklar sees gasohol leading back toward the self-sufficient—and inefficient—family farm. "If we can decentralize energy and fertilizer dependency, it may save the small farmer." Doesn't this mean much more primitive and labor-intensive farming? "Sure," says Sklar, "but farmers see the gain. President Carter's \$11 million program for small technology skills—that'll fire it up."

There is another feature of the "backyard still" plan which, the London *Economist* chortled, may have a lot to do with farmer interest. Debt-strapped Colombian peasants shifted into marijuana production to make ends meet. The fact is, according to the *Economist*, ethanol stills are "akin to making moonshine" and the farmer can count on being able to siphon off a bit of bootleg whiskey for himself.

Low and behold, the Carter administration is promising to eliminate a whole series of anti-moonshining laws and regulations.

Sklar is not the only person who is explicit about the "Brazilianization" of American agriculture. Next to the United States, Brazil is the world's second greatest agricultural exporter. Its gasohol program, however, has so diverted croplands and labor resources from food production that that nation is now running into severe food shortages, high rates of food price inflation, and the need to import over \$1 billion of foodstuffs that could be cheaply produced at home. And as if this were not a sufficient evil, a massive degradation of the agricultural workforce has occurred in low-wage gasohol production processes.

Senator Jacob Javits has proposed just such "Brazilianization" in this country. The Senator has proposed employing ghetto teenagers to scavenge through rotting fruits and vegetables in supermarket trash bins, selecting salvageable things for use in the ethanol fermentation and distillation process.

The London *Economist* points out that unemployed could be put to work elsewhere too. Waste products and useless things could provide boundless raw materials for the gasohol program, says the magazine. "There are enough reeds in Minnesota marshes and lakes to make 1.8 billion gallons a year."

Morover, says Scott Sklar, gasohol production could even provide "food" if it's done right. Following a World Bank prescription on this matter, Sklar's Center for Appropriate Technologies recommends turning the dried distillery wastes, the residue of distillation processes, into edible material. Soylent Green, anyone?

—Mark Sonnenblick

Soviet semiconductor technology is better than you may have heard

The following article is contributed by Michael Tobin, an electronics engineer affiliated with the Fusion Energy Foundation.

Soviet semiconductor technology is better than you may have heard.

Is the American public being told the truth about Soviet capabilities in microprocessor chips and related advanced electronics technologies? The article in the April 20 issue of *Science* magazine, "New Chips Shed Light on Soviet Electronics," illustrates the problems faced by Americans who depend on secondary sources for the data required to assess the validity of Carter administration policies in the areas of Soviet trade and, more importantly, strategic policy.

The "New Chips" the article refers to were sample Large-Scale Integrated Circuits (the basic electronic semiconductor components of present-day computers), including a 4 bit Microprocessor and a 16,000 bit Random Access Memory (RAM) chip that Mr. Lynn W. Gallup, an executive of the Control Data Corporation (CDC), obtained from Soviet officials and displayed at a Washington press conference on Feb. 28, 1979.

In Gallup's assessment, "the Soviets obviously have developed the semiconductor processes and know-how sufficient to make devices close to the edge of technology" and may soon "branch off into a leading position ... in some areas of semiconductors."

The Gallup statements sent the editors of *Science* magazine scurrying off to solicit a series of denials and denigrating comments from government officials and other sources. According to a Defense Department expert quoted by *Science*, "CDC is getting all the publicity because ... it is trying to make the point that the Russians really have the technology to make big computers that CDC wants to sell. ..." According to another official, the Soviet chip was fabricated by means of "help they may have had from other countries. ..." A similar inference could be drawn from a Department of Commerce official's opinion that the Soviet RAM chip "is very similar to Mostek's" (the leading American semiconductor memory manufacturer). And an

unidentified electronics expert grants that "at their laboratory at Novosibirsk, they could produce a few of anything ... but semiconductor production is a black art ... the Soviets have a tremendous ability to do individual pieces of science, but they have never been good at translating that into production."

To the contrary, U.S. Department of Defense reports in the public domain strongly indicate that since 1971 at the latest, the Soviet Union *has had* the capability to implement the most advanced semiconductor technologies. Moreover, this and other evidence indicates that in that same year the Soviet Union made the political decision to commit its resources to mass produce all advanced semiconductors essential for the forced-march expansion of their computer industries, as well as those semi-conductor devices essential for their instrumentation and defense electronics industries.

In 1972, for instance, the Defense Department's Advanced Research Projects Agency (ARPA) addressed important aspects of the question of Soviet semiconductor capabilities by commissioning the Rand Corporation of California to undertake a study of Soviet work with photo-lithographically-prepared, semiconductor integrated circuits (Thin Films) as reported in open Soviet literature especially during the 1970-1972 period. Some of the relevant summary conclusions of the ARPA February 1973 report (ARPA-R-1181), *Soviet Research on Semiconductor Thin Films*, are:

1. "Soviet film preparation techniques do not differ from those in the West."

2. "The published Soviet work leads one to conclude that in semiconductor technology, the U.S.S.R. is generally a few years behind the United States, with the exception of some narrow aspects of materials in which it is ahead."

Hence, from the open Soviet literature alone, the ARPA document's authors judged the Soviet's capability in semiconductor technology as almost on a par with the West at the beginning of this decade. Could the Soviets translate this capability into effective mass production of advanced semiconductor devices? The 1973 ARPA document quotes Soviet Chairman Brezhnev's 1971 report of the Central Committee to the 24th

Congress of the Communist Party of the U.S.S.R. as setting "the task of dramatic improvement in quality control of its electronic semi-conductor industry" and the "mass production of high performance computers" and all auxiliary instrumentation.

The ARPA reports adds that on the basis of this commitment by the 24th Congress, "it is quite reasonable to expect the Soviets to make a major effort in the development of semiconductor thin films during 1972-1975." Finally, the report suggests that even larger successes were to be expected for the remainder of the decade.

Certainly, the editors of *Science* are familiar with the contents of these documents. Why, then their dissimulation? A further case study helps to clarify the issue:

The sudden increase in demand for semiconductors after Brezhnev's 1971 report quickly outpaced the productive capacity of old and new manufacturing facilities coming on line in the Soviet sector. In late 1972 or early 1973 the Soviet Union awarded a contract to Fairchild, one of the leading U.S. semiconductor manufacturers, for the construction of an additional plant within the Soviet Union. While the Fairchild application was pending in various U.S. government agencies, the U.S.S.R. gave a Fairchild executive, Harry Sello, samples of the semiconductors the plant would manufacture.

But 1973 was the year of Kissinger's Mideast war and the fourfold increase in the price of oil. Talk of confrontation was in the air, and detente on the back burner. Of course, the Fairchild plant construction application was turned down. In its April 20, 1979 article, *Science* claims that "the 1973 Fairchild case backfired. Analyses of the devices showed that the Soviets were seriously behind the United States in the then-exploding field, and the government denied Fairchild's request to construct the plant."

The very opposite is more likely true. The Fairchild request was turned down because of the *advanced state* of the 1973 Soviet sample semiconductors. A decision was made to freeze all semiconductor technology transfers in either direction.

The case of the "Foxybat" plane which a Soviet defector used for a flight from the Soviet Union to Japan a few years ago is fairly well known. Much was made of the "backwardness" of Soviet electronics because the plane's navigation and radar gear included

many vacuum tubes—until it was discovered that these tubes had better frequency characteristics than available semiconductor replacements. The case of the Soviet-built plane shot down by the Israelis during the 1973 Mideast war is less well known. A careful analysis of the plane's semiconductors were on a par with the very best U.S. efforts.

Since the 1973 ARPA document there have been no further *public* reports by ARPA on the Soviet semiconductor industry. A shroud of mystery has been placed around Soviet semiconductor technology by the Department of Defense since that date. Why the secrecy? Why *Science* magazine's dissimulation? Certainly the Soviets know their own capabilities.

Rather, it appears that semiconductors may become a casualty of the Carter administration-Council on Foreign Relations war on technology that has already crippled the U.S. nuclear industry and has seen the U.S. reject a series of Soviet offers to collaborate on important aspects of fusion energy technology. In the CFR "1980s Project" scenario, widespread application of such advanced technologies was viewed as "dangerous," and the CFR planners instead argued the need to restrict advanced technologies to carefully delimited, primarily military sector applications.

In this latter respect, such reports as the one in *Science* magazine, and the thinking behind them, are fueling dangerous misconceptions about U.S. strategic posture and the U.S. ability to fight a nuclear war with the Soviet Union. As "deindustrialization" policies stemming from the days of the Kennedy administration have steadily eroded the basic industrial base upon which U.S. defense capabilities rest, wishful defense planners have increasingly turned to "wunderwaffen" conceptions to conceal—from themselves as well as others—this basic U.S. defense softness. The "infrared sensors" and "body counts" of Robert McNamara were the Vietnam era reflections of this tendency; today, defense mythologizers hold that U.S. electronics superiority will enable the U.S. to offset Soviet advances in basic weaponry with such wunderwaffen as the "cruise missile"—a cheap, souped-up V-1 "buzz bomb" which owes its alleged superiority to a dubious advanced electronics guidance system which, proponents claim, enables it to dodge "technologically inferior" Russian radar.

If the Soviets are not behind, as *Science* et al. claim, where does this leave U.S. strategic planning?

Vote rigging and vote fraud

Lyndon H. LaRouche, Jr. analyzes the European elections

The following report is by Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party and a candidate for the U.S. Presidency in the 1980 elections, and is based on his personal observations of the results of the European parliamentary elections.

The sad truth of the matter is that citizen's ballot-democracy does not exist today in any part of the world. Illegal forms of "fixing the results" of an election, called ballot fraud, are commonplace, and rose to the level of about 5 percent of the total counted ballots in the 1976 U.S. national elections. Equally important, often more important, are the nonillegal and semiillegal means used to "rig election results" by means other than direct ballot fraud.

The semilegal form of vote rigging is essentially a matter of causing one's own candidate to enjoy a larger turnout at the polls, and either discouraging the opposition from going to the polls or splitting the opposition vote among two or more candidates. This is complemented by behind-the-scenes wheeling and dealing, in which blocks of controlled votes are traded off.

Outright vote fraud is on the increase. In the U.S., vote fraud was a notable feature of the 1960 general election, increased throughout the 1960s, and accelerated during the 1970s. The vote fraud in the June 3 national elections in Italy was massive, reaching what is conservatively estimated to be in the order of 10 percent of the total vote.

Any qualified voting analyst can readily detect significant fraud in recent West German elections. Looking at the European Labor Party's results in the 1976 election and in yesterday's election, there are statistical features of the pattern of reported tallies which are a statistical impossibility without large-scale vote fraud. Flattening of the vote distribution patterns, combined with higher votes in areas of campaign nonpenetration than in areas of intensive penetration, cannot occur as patterns of tallies without vote fraud. Such statistical results suffice to prove that opposition forces targeted high-penetration areas for vote fraud activity, while avoiding the risk of extending conduct of massive vote fraud in low-penetration areas.

In the U.S., there are three principal sources of sharp increase in vote fraud during recent years. First,

the mechanical voting machines in use are of types which can be set for fraudulent tallies with a quick flip of a finger by a trained mechanic. Although this could be nullified by appropriate security measures, state legislatures, local election officials, as well as the national legislature refuse so far to put such security precautions into law. Second, there is now a massive use of illegal registration and illegal use of other persons' legal registrations. Gangs of youth and others go from polling place to polling place on election day, casting a vote at each through aid of fictitious registrations. Third, the spreading use of computers in balloting and vote administration procedures increases the ease with which fraud can be accomplished and concealed.

In paper balloting, the most common techniques of vote fraud include the following. By means of a bit of crayon under a dirty fingernail, a rehearsed voting official either alters a ballot or alters it so as to disqualify the ballot. There is a ballot box stuffing with prepared batches of ballots either before the opening of polls or at their close. There is switching of ballot boxes, substituting a prepared box for the box into which true ballots were cast. And so forth and so on. In paper ballot elections, or in voting using computer or punch-card terminals, one must cast an eye to the disqualified ballots and the blank ballots to locate the countable aspects of a large part of the direct fraud perpetrated.

Although direct vote fraud is a growing problem, legal to semilegal forms of vote rigging are still the larger part of the problem in seeking to establish honest elections. The difficulty here is that of drawing a precise line between morally acceptable forms of block-vote trading and those forms of vote rigging in which the intentions of the eligible voter are frustrated by means of intimidation, deception, and corruption. In the United States, intimidation, spread of false information, and significant measures of deception are generally identified as "dirty tricks."

For example, in the case of the June 10 election in West Germany, those who were dedicated to cutting the ELP vote through dirty tricks would begin with a list of districts in which pronuclear energy constituencies are concentrated. Working sideways and top-down in trade union and other constituencies of this sort, the

word would be passed around that the general welfare of that constituency would be best defended if there were not a significant vote cast for the ELP in that district. This pressure would be supplemented by a concerted slander campaign, aided especially by distribution of the fraudulent article in *Der Spiegel*. As insurance, actual vote fraud would be selectively applied to those polling places in which a significant ELP vote was suspected to be probable. By such and related methods, the result would be exactly that upside-down pattern of statistically flattened results reported.

The most essential auxiliary means for rigging an election's results is complicity by a corrupt press. This aspect of the problem brings our attention to two points. First, there is the fact of press corruption itself. Second, there is that condition of the electorate which makes the electorate significantly susceptible to corruption by the press.

The corrupt press

I must sadly report that the corruption of leading news media in West Germany is not as evil in overall effect as that which prevails in the United States. Coming back to Europe from each latest return to the United States, I experience an emotion akin to that of the person who during the mid-1930s, left Nazi Germany for a visit to France. Although some regional and local newspapers, radio, and television in the U.S. are not themselves corrupt, most of the dominant news media and wire services either suppress major international developments of the sort reported in the *Frankfurter Allgemeine Zeitung*, *Die Welt*, *Handelsblatt*, and so forth, or they publish lying reports on topics of major international or national importance.

The difference in Europe is that even newspapers and magazines which are predominantly corrupt frequently carry honest, if biased, reporting on major issues as news items, or certain columnists writing in those publications often provide a reporting that is both truthful and sometimes politically sound. Such honesty very rarely appears in the dominant news media of the United States.

It is for related reasons that even high levels of European governments, finance, and industry, as well as the ordinary European citizen, are pathetically ignorant of the internal situation in the United States. These Europeans make use of the leading U.S. press—the *New York Times*, *Washington Post*, *Newsweek*, *U.S. News and World Report*, *Wall Street Journal*, *Business Week*, or the three TV networks news divisions, all of which either lie or come close to outright lying on most important developments. These Europeans have correspondence, telephone conversations, and meetings with contacts in the U.S., chiefly at Harvard, around New York City, and Washington—contacts which provide

more or less the same lies circulated through fraudulent news media.

Generally, the Western continental press, while largely corrupt, does appear relatively as a fresh breath of democracy to one freshly arrived from the U.S.A. Even so, most of the European leading news media are hideously corrupted.

The night of the first nationwide TV broadcast of the ELP's spots featuring my wife, Helga Zepp-La-Rouche, who led the ELP's slate, Helga and I departed for urgent meetings in Paris and in the United States. It is an established U.S. custom that people do not endorse a candidate for President of the United States without also meeting with the candidate's wife. Our meetings with key industrialists, trade unionists, and other key figures could not be postponed, despite the European elections. However, we kept in daily telephone contact with Wiesbaden from Paris, Detroit, and New York City, and Helga wrote and prepared campaign materials as well as deliberated policy matters during those important few days we were out of Germany.

The effect of the first two TV spots was to make Helga an established public figure in terms of popular recognition. The reactions on the streets of the Federal Republic were echoed by an explosion of scheduled press interviews for Helga. The subsequent broadcast of the second pair of TV spots increased the recognition.

Then, the scheduled press interviews began to be cancelled. The reference point for this new pattern in press reactions was *Der Spiegel* and Rudolf Augstein. Although there was some significant local press reporting on the ELP campaign, Augstein's ordering of the slander coincided with a concerted blackout policy by most of the press, and an increased circulation of lies, some directly attributed to *Der Spiegel*, among editors.

This conspiracy to black out extended to omitting the ELP from the list of announced parties by both regional press and other news media.

This matter has been discussed with legal experts. I am informed that *Der Spiegel* also has a record of successfully defending itself in courts for such violations in the past. Illegal or not, it is immoral, and represents the same immoral spirit otherwise reflected in "dirty tricks" forms of vote rigging and outright vote fraud.

According to highly respected experts on Federal Republic elections, consulted again today, the most obvious controlling factor in holding down the ELP vote is the kind of containment typified by *Der Spiegel's* lies and press blackout conspiracies. The expert was interested in the statistically improbable "flattening" of the distribution of ELP tallies among areas of both high-penetration campaigning and low penetration. This expert also offered other useful observations. It is the role of the *Der Spiegel*-led faction of the news media and the statistical "flattening" which are most significant. Vote fraud did occur in selected locations, vote

Europarlament results

Portrayed in the U.S. press as a "swing to the right" paralleling the Thatcher victory in Great Britain, the European Parliamentary elections actually reflected diverse national situations.

In France, where President Valéry Giscard d'Estaing distinguished himself among European leaders by leading a principled, issue-oriented campaign centered on the need for industrial growth, the Giscardian UDF party led the balloting for France's 81 seats with 25, followed by 22 for the Socialists, 19 for the Communists, and 15 for the Neo-Gaullist RPR party of Jacques Chirac.

In West Germany, where Chancellor Helmut Schmidt deferred leadership of the Social-Democratic campaign to party chairman Willy Brandt, the

opposition CDU/CSU gained a majority of 81 seats, with 34 for the CDU and eight—including Austrian heir pretender Otto von Hapsburg—for the Bavaria-based CSU of Franz-Josef Strauss. Of the two ruling parties, the Free Democrats garnered five seats and the Brandt-led Social-Democrats 34. The poor SPD showing has further lowered Brandt's standing in the party. A combination of vote fraud and manipulation kept widely recognized European Labor Party candidate Helga Zepp-LaRouche out of the Parliament.

In England, as expected, Thatcher's Tories routed the opposition, grabbing 60 seats of the total of 81. Labour won only 17 seats, and four were distributed among various minor parties.

rigging was perhaps more significant than vote fraud. Corrupt news media practices were unquestionably the most significant factor.

Susceptibility of the electorate

The possibility of vote rigging depends upon the unhappy fact that voters vote emotionally, not intellectually. They select candidates in the same manner as they select dishwashing solutions. The possibility of computer projections of voting patterns depends upon the predominance of such irrationality among the overwhelming majority of voters. Once voters in significant numbers begin to vote on the basis of independent intellectual judgment, the present computer techniques would break down, would fail to function.

This is complicated in West Germany by the fact that, among the best-known political figures, only the Christian Socialist Union's Franz-Josef Strauss is a true politician. Like Strauss or not, he goes directly to his constituency, and speaks directly to them. Chancellor Helmut Schmidt, who has personally a potential constituency reaching 80 percent of the voters, does not. Schmidt, for all his faults, has become a relatively superior statesman, but not yet a politician. President Valéry Giscard d'Estaing of France, for example, is both a leading statesman and also a much better politician than Schmidt.

Comparing Helga's TV spots with those of the CDU, SPD and FDP, Helga directly addressed the people on policy matters as a true politician should. Strauss showed his keen political sense: immediately after Helga's broadcasts, he came out unequivocally for nuclear energy, capitalizing on the effect of Helga's broadcasts to his own advantage, and capitalizing on

the vacillations of Chancellor Schmidt on this crucial issue. The CDU, FDP, and SPD spots followed the precedent of commercial advertisements for soap and washing machines.

As various election analysis experts noted during the period before the June 10 election, it was the qualitative effects of Helga's ELP TV spot rather than the quantitative results which those experts regarded as having importance in affecting the population as a whole.

When politicians do not speak directly and programmatically to voters on vital issues, the voters are alienated from the policy-making aspects of government and political parties. They are as alienated from policy making as they are from the manufacturing firm's design of its product. A "commercial" sort of alienation separates voters from parties and candidates at the national level. Under those conditions of cultivated alienation, the logic of the soap seller's commercial advertisements spills over into the electoral process.

Let us restate this point. When leading political parties and politicians fail to argue the internal features of policy making directly with the average citizen, the mind of that average citizen is blocked out of participation in the policy-making process. The citizen can "interfere" with the parties' and government's policy-making processes little more than the citizen can walk into the boardroom of Siemens, Krupp, and so forth.

The citizen then tends to say, "What have the big political issues to do with me? I am a little man who must worry about my pension and keeping my little garden. My father voted SPD, so do I..." or something along the same lines. His or her voting decisions are emotional, not intellectual.

Buried within some of the SPD spots I saw, there

were mere hints of real policy issues. In the case of the CDU, there were none. The slogans and campaigning of these parties, combined with the mythologies generally offered as election coverage by the news media, had the effect of dulling the attention of the voter. Neither the parties nor the press solicited the voter to use his or her mind on important issues. It was chiefly "vote for us because you like us." The mind of the voter was told to go back to sleep.

This is not a problem peculiar to the Federal Republic. It has been a hideous problem within the United States.

Fortunately, as the growing number of notable endorsements of my candidacy illustrates, the problem is not insoluble. The majority of American citizens know that the "oil shortage" is an oil hoax rigged by the Carter administration and the "Seven Sisters." Inflation infuriates increasing numbers of the voters. The spread of drugs to young children in large ratios is creating a growing, angry revolt against the Naderite varieties of liberalism. It is when a population is put into the foxholes in such ways that old patterns of tolerating "politics as usual" break up, whether or not the politicians choose to encourage such a popular reawakening to the reality of major national issues. Kennedy is currently wrecking both the Democratic Party and Carter's ability to even pretend to govern the United States. The Republican Party will split if the Democratic Party continues to split over the Kennedy-wrecking campaign. Under those conditions, my methods and the growth of my candidacy have tended to prosper.

Until politicians either bring policy making to the people, or a crisis causes an eruption among the people against "politics as usual," the majority of voters tends to be predictably subject to the kind of swindles practiced by the *Der Spiegel*-led sections of the West German press during the past two weeks.

Under "normal conditions," without vote fraud and without the press conspiracy, the ELP would probably have shown 5 percent or more of the vote on the evening reports of June 10. The statistical flattening of the vote distribution is proof that a significant fraud against the ELP did occur. How many votes were stolen, how many prevented through preballoting vote rigging techniques perhaps no one knows, including those who conducted such practices. The vote fraud and vote rigging are important, but most important is the press fraud and the sleep-inducing quality of the wretched campaigns conducted by the SPD, FDP, and CDU.

For yet one more election, most of the voters remained politically asleep. During a period of the gravest world crisis, cabinet politics remains for another

moment the most significant force in national policy making.

The lies and other means used by Augstein and others to attempt to wreck the ELP candidacies were the means used to aid in putting most of the voters back to sleep, a large number too bored with the SPD, FDP and CDU campaigns even to imagine there was anything worth going to the polls to vote for or against. When such nasty practices are tolerated, it is not only the victim party which suffers. It is the vital interest of the nation which is injured.

Why the fraud?

In the recent election in Italy, we caught the U.S. embassy in Rome red-handed, threatening an individual with damage to his personal interests should he not abstain from support for the European Labor Party. We have masses of official documents, as well as other affidavits and private reports of massive intervention by the Kissinger and Vance State Department against the ELP in the Federal Republic since late 1975. We also have proof that the section of British secret intelligence associated with Margaret Thatcher's faction of the British Conservative Party is the official coordinator of slanders and harassments against this writer and his collaborators worldwide.

For the June 3 national elections in Italy, the Italian Labor Party (POE) had no less than two and possibly as many as five seats in the Italian parliament successfully prearranged, through block-vote endorsements and support by constituency organizations in certain locales. But for the dirty tricks of the past fortnight, the ELP had a potential, recognized separately by several expert agencies, for securing between 4-7 percent of the vote, a result depending upon a normal press response to the impact of the four TV broadcasts.

Why, then, should the forces behind the Carter and Thatcher governments fear the Italian Labor Party's securing perhaps a mere two seats in the Italian parliament, or perhaps at least one seat in the European parliament? Why put pressure on agencies in Italy and West Germany on such a trivial issue?

The answer, generally speaking, is found in a pre-election observation of several election analysis experts. It is the qualitative, not the quantitative, effect of the ELP campaign which has excited attention. The British and their accomplices are not concerned to keep the ELP out of the European parliament, or the POE out of the Italian parliament. They are desperately concerned, as is Augstein, to go to any lengths to attempt to discredit the qualitative influence of the ELP.

—Lyndon H. LaRouche, Jr.

The men inside Joe Clark's government

Back to the days of Lord Beaverbrook's Special Operations Executive

On June 4, the first Conservative government in almost two decades took power in Canada, with Progressive Conservative Joe Clark officially exchanging places with the outgoing Liberal Prime Minister Pierre Elliot Trudeau. Underscoring the degree to which Canada is still run—top-down—by the Queen's Privy Council (a fact not widely recognized), the Clark election was stage managed by the same forces linked to the Margaret Thatcher victory in Great Britain, and Clark has appointed a cabinet drawn largely from British intelligence circles experienced in NATO Interparliamentary Union affairs and in the Bronfman family's Permindex assassination bureau. Because Clark will not call parliament until September or even October, this Cabinet will make and implement policy without even a pretense of democracy in the coming months—as the World War II Special Operations Executive once did.

The Clark government's assignment is the further integration of the United States into British geopolitical policies, with top priority being the creation of a single North American economic unit, placed on a war-footing on the basis of pooling Mexican, U.S., and Canadian energy resources. That policy, as formally elaborated in a proposal widely circulated by the Blythe, Eastman, Dillon investment firm, calls for the extension of the U.S. "security umbrella" to Mexico, strengthening of North American commitments to NATO, and pooling of North American energy supplies—particularly Mexico's oil—into a "strategic reserve" that would, in effect, be placed at Britain's disposal.

Clark himself received private instructions on the importance of Canada's commitments to NATO from retiring NATO commander, General Alexander Haig, the man dubbed as next U.S. President by the New York Council on Foreign Relations. Haig visited Canada on June 8, only four days after the swearing-in ceremonies of Clark and his new cabinet. The new and youngest Canadian prime minister has in turn made clear his intention to pursue a staunch NATO and "North American common market" policy course in

public statements and interviews since the May 22 Canadian Parliamentary election.

A taste of the Clark governing style has already come when Clark promised to move the Canadian embassy in Israel from Tel Aviv to Jerusalem within the four years, to beef up defense spending, and to concentrate upon Canadian-U.S. bilateral economic relations, particularly on the energy front. The announcement concerning the embassy move was made initially during the May campaign and brought immediate cries of outrage from Arab and Muslim Brotherhood circles, including threats of sanctions against the Canadian government on the part of Arab nations. Very promptly, meetings between representatives of Arab nations and Clark's new External Affairs Minister, Flora MacDonald, resulted in an agreement to delay the embassy move in exchange for stepped up Saudi investment in Canadian treasury bills. The latter would contribute to feeding the fund for tar sands development in Clark's home province of Alberta, the cornerstone of Britain's proposed North American energy autonomy.

The public moves and statements of the new Canadian government represent, however, only preliminary indications of what is in store in the coming period from Britain's Canada. The Clark victory and the accompanying climate of an international "shift to the right" being promoted by London is tied to the launching of strategic "war games" on the North American continent, not the least of which is an imminent outbreak of "terrorism" in French-speaking Quebec, jeopardizing energy supplies to the northeastern U.S. and possibly leading to conjoint U.S.-Canadian NORAD troop deployments into the province. The resulting climate of chaos could add to the "credibility" of the Haig presidential candidacy and the consolidation of North America as a whole into a single regional economic and military bloc. This corresponds closely to the Council on Foreign Relations' "1980s Project" prescriptions, and to those of the Royal Institute of International Affairs, which commissioned the project.

How Canada chooses a prime minister

British press and related press outlets in both Canada and the U.S. portray the election victories of Margaret Thatcher in Britain and Joe Clark in Canada, and also the results of the European Parliamentary elections, as aspects of a spontaneous and natural shift to the right internationally. Clark himself retailed this myth in an interview with ABC's Barbara Walters this week. But the results of the voting in Canada were a highly controlled development—with Joe Clark hardly the stammering, itinerant hometown Alberta boy that his public image suggests. Behind both Clark and the Canadian election results stands the Royal Institute for International Affairs, the Mont Pelerin Society and related policymaking bodies associated with the British monarchy.

The election results themselves, which saw a virtually complete political polarization between French-speaking Quebec, which voted Liberal, and English Canada, which gave Clark a thin plurality, were managed by the same mix of press conditioning, manipulated opinion polls, and vote fraud being used in the U.S. to push the Alexander Haig candidacy. A Royal Canadian Mounted Police inquiry into voter registration in Quebec prior to the election found massive registration of nonexistent persons in the two ridings investigated. The RCMP then suspended the probe on the pretext that the fraud was due only to "local graft." Clark's victory over the Trudeau "Liberals" in the stage-managed voting stems from a strategic assessment at the level of the Royal Institute and the Queen's Privy Council, that the "radical conservative" profile of Clark's conservatives is uniquely appropriate as a political vehicle to expedite the monarchy's policy aims in the coming period. Preparation for the government switch dates from approximately September 1977, at which time Walter Gordon, long-standing chairman of the Canadian branch of the Royal Institute, the Canadian Institute for International Affairs, directed several of his leading protégés, including J. Duncan Edwards, to abandon their roles in coordinating policy and campaign affairs for the Trudeau Liberals in favor of guiding Clark to victory in the next federal elections. Meanwhile Jim Coutts, another Ottawa face whose notoriety stems from Gordon tutelage, continued to coordinate campaign affairs for Trudeau through to the "bitter" end. Under the counsel of the Edwards team, the Clark circle was led into close collaborative relations with British intelligence-linked "free enterprise" think tanks, including the American Enterprise Institute, the Vancouver Fraser Institute and the Brookings Institution. The Fraser Institute lists the Mt. Pelerin Society's Friedrich A. von Hayek at the head of its advisory board and is a branch of the London Institute for

Economic Analysis, from which von Hayek guided the policy course pursued by Margaret Thatcher during her successful march to No. 10 Downing Street. The Fraser Institute is also affiliated with the C.D. Howe Institute of Montreal which is the Canadian branch of the British North America Committee, the central organizing task force for the North American energy war alliance.

In the final months before the May 22 vote, further adjustments were made in preparation for the expected Clark victory. Michael Pitfield, Trudeau's closest policy advisor and another Gordon creation, dutifully appointed former World Bank official and Rhodes scholar Marcel Masse as deputy secretary to the Cabinet, in "expectation" of his subsequent replacement by Masse as chief of the Queen's Privy Council, Her Majesty's main policy body and the true seat of the Canadian government. Trudeau himself lent a direct hand in shaping the incoming government. Six months ago he replaced outgoing Governor General Roland Michener, a long-time Gordon collaborator, with Ed Schreyer, who had shortly before been deposed as the head of a New Democratic Party government in the province of Saskatchewan. The Governor General is the Queen's official envoy in Canada, and is traditionally a ranking Knight of the Sovereign Order of St. John of Jerusalem. The social-democratic NDP, led by Ed Broadbent, an associate of West Germany's Willy Brandt, constitutes the key to the viability of Clark's minority government, having gained a decisive ten seats in the May vote. Clark is not calling a parliament until fall because of the uncertainty of this swing vote.

Outgoing Privy Council chief Pitfield also worked closely with Clark in consolidating the appearance of the incoming federal cabinet during four days of private meetings following the election. The cabinet constitutes a radical departure from previous protocol in being comprised of an "inner" cabinet of eleven ranking British intelligence and NATO Interparliamentary Union operatives and a token "outer" cabinet of 18 ministers who will have little to do with either shaping or implementing important policy initiatives. The position of long-standing Walter Gordon associate Flora MacDonald in the crucial post of External Affairs Minister exemplifies the nature of the "changing of the guard" taking place north of the U.S. border.

Two aspects of the Canadian governmental change must be stressed. First, the composition of Clark's inner cabinet places the Canadian government proper closer to the center of British power than it has been since the close of World War II. It is drawn from the same Anglican Church-linked "United Empire Loyalist" elite which populated the British Special Operation Executive during World War II under Lord Beaverbrook. At the same time it includes leading representatives of the British intelligence machine which orchestrated the 1970 terrorist adventure which put Quebec under martial

Who's running Canada for London?

Canada's newly inaugurated Conservative Prime Minister has divided his cabinet into an elite "inner" cabinet composed of individuals tightly connected to British governing circles—who will make day-to-day policy, and a larger "outer" cabinet, most of whose members have the same backgrounds as the "inner" cabinet officials.

Members of the inner cabinet: and summary curricula

- **Flora MacDonald, External Affairs Minister.** Member, Canadian Institute for International Affairs (CIIA), and long-standing associate of CIIA chairman Walter Gordon; director of Gordon's anti-American Committee for an Independent Canada; educated at the National Defense College.

- **Sinclair Stevens, Treasury Board.** Canadian Advisory Board member and director of Eagle Star Insurance, the mammoth British financial firm behind the Bronfman family holdings; member, Albany Club, Canadian Club of New York.

- **Walter Baker, National Revenue and President Privy Council.** Member, NATO Parliamentary Association, Commonwealth Parliamentary Association, Canadian-U.S. Interparliamentary Group.

- **John Crosbie, Finance.** Educated at the Lon-

don School of Economics; former minister in the government of the Rothschild-dominated province of Newfoundland and a member of one of the elite financial families of that province; member of the United Church of Canada (Anglican).

- **Jacques Flynn, Justice, Attorney, and Senate Leader.** Enforcement counsel, Wartime Prices and Tariffs Board (during World War II) under Walter Gordon.

- **David MacDonald, Secretary of State and Communications Minister.** Minister in the United Church of Canada; member, Interparliamentary Union, United World Federalists, Atlantic Provincial Economic Council.

The larger "outer cabinet" is highlighted by:

- **Elmer Mackay, Central Mortgage and Housing.** Advisory Board, Nova Scotia Trust; linked to British intelligence networks within the Royal Canadian Mounted Police and, at least indirectly, to Mitchell Bronfman's Securex front, which is drawn from these RCMP circles.

- **Martial Asselin, Minister of State for Canadian International Development Agency.** Member, NATO Parliamentary Association, Interparliamentary Union; U.N. delegate, 1960-61.

law. They trace to the Bronfman-linked Permindex network, heavily implicated in the Kennedy assassination, and the numerous attempted assassinations of Charles de Gaulle. The socialist terrorist network currently being subjected to arrests and indictments in Italy is an important link in this machine and has been linked to the Canadian networks by Italian antiterrorist chief General Carlo Alberto dalla Chiesa.

Between now and Clark's reconvening of the Canadian Parliament, possibly as late as October, the Canadian government will be a government by committee. This Clark "inner cabinet" will be given virtually a free hand.

Economic warfare

A conference on heavy oil held last week in Edmonton, Alberta and sponsored by the United Nations Institute for Training and Research set the pace for what Britain's Clark will seek on the energy front. Joseph Barnes,

chief of the Institute, noted that the recent oil price hike to the \$17-20 per barrel range now makes investments into heavy oil and tar sands "profitable." He projected that at least 30 percent of total world oil production will be from these sources within a 20-year period. At the same conference, officials from the U.S. Department of Energy announced a full commitment to tar sands development and to bilateral cooperation with Canada to this end.

Alberta is the North American center of the synthetic oil boondoggle and already hosts two operating multi-billion dollar plants established by consortiums of the major multinational oil firms and the Canadian Crown corporation, Petrocan. British financial circles' aim on funneling hundreds of billions of dollars of investment into Alberta tar sands alone in the coming period, including substantial input from the Saudi Petrodollar account, ironic in view of the fact that the entire design is predicated upon severing North American ties with OPEC oil imports.

Petrocan will also serve as Canada's sole oil importer and is currently playing an important role in helping to rope Mexican oil reserves into the North American and Western Hemispheric "strategic reserve." Full cooperation of Mexico in this scheme would entail a complete abandonment of Mexico's current industrial development program and consequently is linked to attempts to destabilize the government of President Lopez Portillo. That sort of work Clark's "inner cabinet" is well qualified to do.

Clark promises to convert Petrocan into a "free-enterprise" institution, increasing its power and liquidity marketing large share offers to the general public. Clark's energy policy as a whole is identical to the terms posed in the cited Blythe Eastman Dillon proposal, calling for drastic cutbacks in energy consumption, restricted energy growth, confinement of nuclear development to a sequestered, defense-related sector and emphasis upon tar sands and related "soft technology" energy swindles. Blythe Eastman Dillon, a subsidiary of the Insurance Company of North America, is represented on the British North American Committee by the INA's Donald E. Meads. The North American Committee itself maintains links to the Council on Foreign Relations "1980s Project" task force through Harold van Buren Cleveland. North American chairman of the committee is currently Ian MacGregor of Lazard Freres.

Quebec destabilization

Energy is high on the list of the Queen's motivations for destabilizing Quebec in the near future. The commitment on the part of the ruling Parti Quebecois government to achieve sovereignty and independence from English Canada makes energy and resource-rich Quebec an obstacle to the monarchy's North American "common market" scheme. So, energy legislation was railroaded through the Canadian commons by the outgoing Trudeau government in preparation for the incoming Clark government, giving Ottawa dictatorial "wartime" powers over provincial energy resources, on the pretext of an "energy emergency."

Such powers together are incompatible with the presence in Quebec of any kind of organized independent political machinery, let alone a government committed to independence. On the other hand, the commitment of the PQ government in that regard is rooted upon mass-based institutions representing upwards of a million people, committed to traditions extending

back to the alliance of France with the forces which unseated the British during the American Revolutionary War.

For these reasons, the British Crown and its station chiefs in Ottawa and Toronto require a full scale destabilization of Quebec calculated to fracture and atomize the independent political institutions of the province. The method will be a hopeless and bloody pattern of "right-left" confrontations and conflicts.

Such a scenario is likely to begin with the bombing of one or several hydroelectric stations such as the large Churchill Falls station in neighboring Newfoundland. This in turn would cut off electrical power supplied during the summer months to the Northeastern U.S., and lead to major blackouts and energy crises south of the border.

The maximum scenario would call for combined U.S. and Canadian NORAD troop deployment into Quebec followed by full scale militarization of the province—an appropriate environment for similar adventures elsewhere on the continent. A preview of this scenario occurred on Sept. 20, 1978 when an explosion at the Churchill Falls station led to a blackout of Montreal.

Notwithstanding the important presence of British agents in place in the PQ and other Quebec institutions, the outbreak of terrorism will be coordinated directly at the Privy Council level, using the allegation of "radical elements within the PQ" as the cover-line. Clark himself has directly contributed by announcing in the course of his campaign that under no circumstances will he recognize Quebec's right to self-determination or negotiate with the Quebec government on the basis of any proposal for sovereignty.

The eruption could commence as early as this month on the occasion of the expiration of contracts for some 200,000 public service employees in Quebec. While negotiations for a new contract are virtually stalled, Socialist International-linked "Maoist" networks in the union fringes are attempting to build up the basis for a major labor-government showdown centering around violent "activism." The presence in Clark's "inner cabinet" of Bronfman-Eagle Star agents such as Sinclair Stevens and Elmer MacKay is ominous in view of the documented involvement of Mitchell Bronfman's "Securex" (formerly Permindex) network in the 1970 "Front du Liberation Quebec" (FLQ) kidnapping and assassination escapade which triggered the War Measures Crisis.

—Peter Wyer

U.S. plans invasion of Nicaragua

Marines are the most efficient option, says State Department

A high-level State Department official, Charles Smith of the Latin American Policy Planning Staff, bluntly stated in an interview last week that the basic premise of Carter administration policy toward Nicaragua is a U.S. invasion—under whatever cover. “Obviously, the most efficient thing,” Smith said when asked about U.S. policy options towards the civil war in that country, “is to send in the Marines. We have to work back from that.” An Organization of American States “peace-keeping mission” or “mediation” is probably necessary to politically cover for U.S. intervention, Smith specified, but whichever way, “we will see action soon.”

Smith's comments reflect the highest policy-making levels of the Carter administration: Smith is deputy assistant to Luigi Einaudi, the State Department's director of Latin American Policy Planning, who is presently heading a behind-the-scenes interagency government task force charged with drawing up the administration's policy options for Central America.

The interview with Smith (reprinted on page 52) blows apart the Carter administration's claims that it is “neutral” in the civil war in Nicaragua, and has not and will not provide any military support for Somoza's forces. As Secretary of the Treasury Werner Blumenthal repeated in a letter to Representative Henry Reuss (D-Wisc) last week, Carter policy is premised on the position that “the current government of Nicaragua has been, and is, for better or worse, the recognized authority in that country. “Blumenthal's assessment, stated in justification of U.S. support for the International Monetary Fund's loan to Nicaragua in May, will be backed up by Marines within two to three weeks, according to Smith.

No more Mexicos

Washington's attempts to portray the Sandinista-led opposition as “radical guerrillas” more dangerous than Somoza are fast losing credibility. The Sandinistas and their collaborators within the National Patriotic Front (NPF) constitute in fact a government in the wings based on principles identical to those embodied in the Mexican and American revolutions. Already, the NPF has designated a five-man provisional executive to

replace Somoza. According to the National Patriotic Front's program, the foundation of this government is a national commitment to the rapid industrial development of Nicaragua based on a national development plan and constitutional guarantees for the material and cultural improvement of the living standard of the population at large.

A Sandinista victory would be a severe blow to Washington-enforced IMF hegemony throughout Latin America, where the majority of military regimes are increasingly resorting to Somoza-style practices as IMF conditionalities become more and more draconian.

This is the “threat” Washington and the IMF intend to obliterate, and this week the Carter administration began feverish preparations to create the necessary climate for an OAS invasion. On June 9 the State Department leaked its objectives in a front page article in the *Washington Star*. Among the options being considered by the White House, says the *Star*, is calling for “an emergency meeting of the Organization of American States to obtain approval for a military intervention similar to the Inter-American Peace Force which imposed peace and a democratic government in the Dominican Republic” in 1965. Almost three-quarters of that “inter-American” force consisted of U.S. Marines.

Simultaneous with the *Washington Star* leak, the *New York Times*, the *Washington Post*, and the U.S. policy mouthpieces began to report that it appears Somoza will continue to “hang on” indefinitely, leading to a bloody stalemate in the civil war. The implication is that under such conditions, the OAS would have to be brought in to impose a “ceasefire.” “We've got to get the Latin Americans to do it,” a source close to U.N. Ambassador Andrew Young commented, adding that there is “no way” the U.S. public will tolerate “sending in the Marines” openly.

This illusion of a “lull” in the fighting is exactly what the State Department wants. “Once there's a lull they [the OAS] could intervene between the two sides,” the source linked to Einaudi commented. “We'll see some action soon. In two or three weeks everyone is going to be battle-fatigued.”

The State Department has already begun a concert-

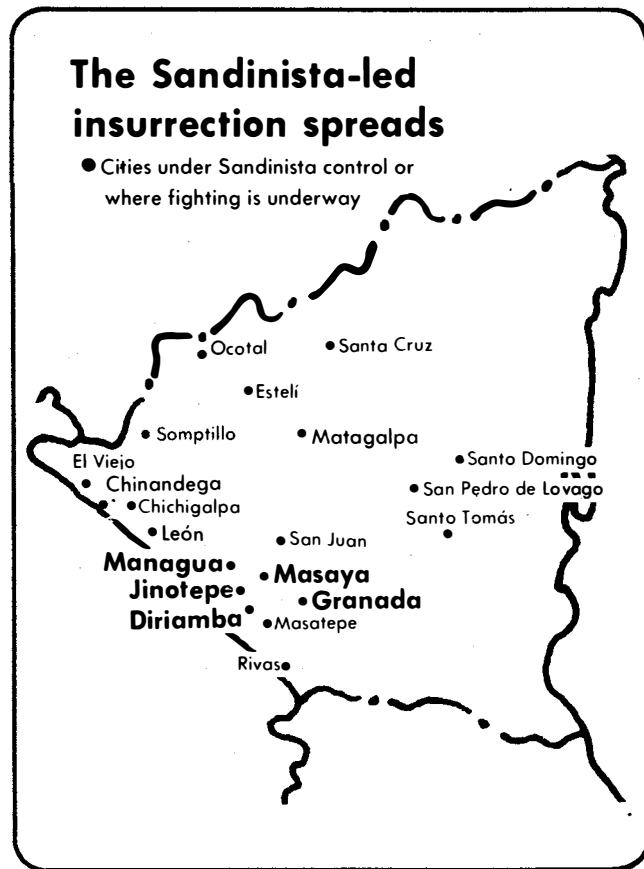
ed campaign to line up the necessary rubber stamp votes for the OAS intervention. William Bowdler, State's special envoy who conducted the farcical "mediation" talks between Somoza and a few U.S.-approved "opposition leaders" last fall, is now touring Latin American capitals to get things in place. Already he has deployed the foreign ministers of Ecuador and Venezuela to meet with Somoza, setting the first precedents for imposing a so-called international solution in the name of the Andean Pact and the OAS.

On June 11, Carter's national security advisor Zbigniew Brzezinski, interviewed on Meet The Press, called for "free elections" to be held in Nicaragua under OAS troop supervision! Secretary of State Vance then called for an OAS meeting to discuss a "political solution" to the conflict that would prohibit any "radical solution" from arising.

Vance's "ceasefire" means foreign intervention as much as Brzezinski. "There is no way a moderate alternative to Somoza can stand without enormous military support from the U.S.," said one source at Kissinger's Center for Strategic and International Studies in Washington. "And I don't mean covert either."

The size of such support? The State Department says Somoza already has some 20-25,000 troops, a figure that adds up to 10,000 soldiers more than the known strength of the National Guard, which is around 15,000—suggesting there have been up to 10,000 mercenaries and "volunteers" smuggled into Nicaragua in recent months from Condeca, other Latin American countries, and the United States. Yet not only is this not enough to smash the popularly-supported Sandinistas, says the Department, but it is doubtful that another 25,000 troops could do the job.

The severity of Washington's predicament is vividly illustrated by reports on conditions in the Nicaraguan capital of Managua, which provide an accurate portrait of the rotting tyranny. The only locations in the city that have avoided direct rebel attacks are Somoza's personal bunker in the National Guard garrison and the Intercontinental Hotel, where half of Somoza's cabinet has been holed up for more than a week. Whole areas of the city are without electricity, including the area where the U.S. embassy is located. All access roads to the capital are in Sandinista hands. When Washington ordered the evacuation of official dependents, they could not even make it to the airport, as the roads were



blocked with Sandinista barricades. U.S. citizens were finally hurried out under cover of darkness to an airstrip at a nearby banana plantation. The international airport itself was in danger when one of Somoza's air force pilots defected and turned the guns of his plane against air force headquarters there.

The Carter administration is rapidly approaching the point at which it may have to get rid of Somoza himself in order to preserve "somocismo." He could easily be replaced by a coup from his own officers, says the State Department, which would then pave the way for an OAS-backed "transition" period of "peace-keeping." As the Department source cited above stated, the National Guard "might just shoot him. If I were in the National Guard, that's what I would do."

—Chris Curtis
and Gretchen Small

The opposition and their program

Statements by the U.S. State Department and the Somoza government that Somoza's opponents are variously "radicals" or "Communists" actually refer to a broad range of diverse opposition organizations—in fact, to all but a handful of Somoza's foes.

When the U.S. split the broad-based Nicaraguan opposition movement last fall, pulling a minority in behind the mediation bid, the remaining majority formed the National Patriotic Front. Far from being the "radicals" denounced by the State Department, the Front is based on a program for the reconstruction and industrialization of Nicaragua modeled on the Mexican example, which would be readily accepted by most Americans if it were widely known. This program is backed by the Sandinista guerrillas who are besieging Somoza.

Included in the National Patriotic Front are the Group of Twelve (an organization of businessmen and professionals), the United People's Movement, the Independent Liberal Party, the Popular Social Christian Party, and others. A spokesman for the Patriotic Front, Group of 12 member Carlos Tunnerman, announced from Costa Rica last week that a Patriotic Front government will call on the business sector, trade unions, and other opposition groups to join in the construction of a pluralist democracy. A civilian junta comprised of National Front representatives will run the country until free elections can be carried out, and foreign policy will be based on a policy of nonalignment and national independence. The government will not be socialist, Tunnerman added, since any socialist government would be crushed by the United States. The announcement of a provisional government is expected shortly.

Below, excerpts from the official program of the National Patriotic Front:

The undersigned subscribe to this Founding Document as official representatives of their respective organizations, which decided to unite in a National Patriotic Front in order to fight to bring about the popular overthrow of the Somozist dictatorship, and to bring about in the political, economic and social arena the three fundamental principles which characterize the Front. These three principles are: 1) National Sovereignty, 2) Effective Democracy, and 3) Justice and Social Progress....

The following programmatic and fundamental principles are accepted and must be respected by all the organizations that form part of the National Patriotic Front.

Programmatic Principles

A) National Sovereignty

1. Demand and defend the right of political, social and economic self-determination of the Nicaraguan people....

B) Effective Democracy

4. Formation of a government of democratic unity with national scope, composed of all the political and social forces which have effectively participated in the eradication of the dictatorship. The government will lay the foundation for a new democratic order in the country, based on this program....

9. Elimination of terror as the system of government....

12. Establishment of a democratic regime which fully guarantees the citizens' right to political participation without ideological discrimination and without restrictions on the free registration of parties, with the exception of those parties and organizations which represent or intend to return the Somoza machine to power....

C) Justice and Social Progress

14. To implement a thorough agricultural reform which, in addition to ensuring rural workers access to the land, will also provide them with indispensable technical, educational, and financial assistance...

15. To put in the hands of the state the ownership, control, and exploitation of all natural resources: mines, forests, fishing, energy resources, etc.

16. To promulgate a Labor Code which will be of real protection for urban and agricultural workers and all kinds of wage earners, which will guarantee in an effective manner the right to form unions and the right to strike....

18. To promote national development in a planned and coordinated manner, subordinating private interests to the general interests of the nation through a National Plan which will liberate us from underdevelopment and external dependency and give preferential treatment to industrialization based on the utilization of the country's raw materials.

National enterprises, especially small and medium sized ones, will be protected by the State from the multinational corporations and will be backed up by incentives directed to the fulfillment of the National Development Plan.

Savings and banking credit will be oriented towards

the implementation of the National Development Plan....

19. To bring about a real urban reform which will solve the problems of the slum areas. ... Priority emphasis will be given to the construction of decent housing for the mass of the people....

21. To open to all Nicaraguans real opportunities to better their lives through a full employment policy, combatting unemployment and guaranteeing housing, health, social security, efficient transportation, education, culture, sports and healthy diversion....

22. To accomplish an educational reform which will eliminate illiteracy, encourage adult education and establish a new system of free and compulsory education....

Educational plans and programs will be scientifically designed and will be adapted to the development requirements of the country.

Nicaraguan rebels to U.S.: 'we are sick of hypocrisy'

In a telegram to U.S. Senator Edward Kennedy, Representative Thomas Harkin and U.N. Ambassador Andrew Young, members of The Group of Twelve—a Nicaraguan opposition organization composed of businessmen and professionals—denounced U.S. intervention on behalf of Somoza as a violation of the "moral heritage" of the U.S. Excerpts follow:

With great anguish we have learned about U.S. Hercules planes transporting arms, ammunition and other military supplies to general Somoza's national Guard. ... We strongly condemn this criminal intervention as a flagrant violation of our country's right of self-determination, as well as violation of our people's sacred right to rebel against tyranny and create a free and democratic nation....

We Nicaraguans are sick of empty U.S. government rhetoric about democracy, human rights and the right of self-determination of nations. We are sick of occasional hypocritical lamentations about the blood being shed and the people dying in our country when the U.S. knowingly trained and equipped the soldiers who are killing. ... All we ask of the U.S. government is to stop all aid to the murderer so that ... we do not have to struggle against the United States. ... The U.S. must understand that the God-given rights of men and nations are not dependent on territorial size or military power, that might does not make right and that to act as if it did is a gross violation of the values that constitute the moral heritage of both our nations....

State says U.S. policy is

In an exclusive interview made available to *Executive Intelligence Review* from journalistic sources, Charles M. Smith, Deputy Director of Latin American Policy Planning in the U.S. State Department, stated bluntly on June 13 that the U.S. is planning for an imminent military intervention into Nicaragua, either employing U.S. Marines directly or using an Organization of American States cover.

Smith's admissions represent the thinking of the highest policy making levels of the Carter administration. Smith works out of the office of Luigi Einaudi, Director of Policy Planning for Latin America, who is currently heading an interagency governmental task force charged with drawing up U.S. policy options for Central America. Einaudi, a close collaborator of Henry Kissinger in the Nixon-Ford administration, played a major role in orchestrating the 1976 right-wing coup in Peru. Before joining the State Department, Einaudi was a Rand corporation expert specializing in scenarios for a "Second War of the Pacific" involving Peru, Bolivia and Chile.

Q: *How is Somoza holding out under the present circumstances?*

Smith: There has been a change in the last two weeks of people's perceptions concerning this. It looks like he will make it this time. He'll survive this round.

Q: *In other words, he can last?*

Smith: This time, but he will probably be out before 1981, which is when he says he'll hold elections. The Sandinistas are not strong enough to finish him off at present. They are going to fail in their announced final solution. They will continue to be effective in causing limited disruptions, violence and killings, but they won't win this round. But he'll be out before 1981. His friends in neighboring countries are now talking about not having him around.

Q: *What you're saying then is that in the short term Somoza can survive the Sandinista offensive but that in the medium term we will have to find a moderate, stable, viable alternative.*

Smith: Yes, that's it exactly.

Q: *But we've tried that. We've shopped around for a moderate alternative and frankly there just isn't anything there. It looks like we'll have to develop one.*

Smith: Bowdler [the State Dept. envoy sent to mediate a solution between Somoza and opposition] had precisely that objective. The mediation effort failed but it did get the political process underway. But you're right, the

'send in the Marines'

moderate alternative is going to be difficult. The odds don't favor it, and no one is willing to put money on it. There are a lot of uncertainties in this situation.

Q: *That's the problem. If it works, fine. But what if it doesn't? When push comes to shove, and it's a question of the Sandinistas taking over, what can we do?*

Smith: That's the question. What would this country do? Would the public tolerate getting involved? Jimmy drew the line in Iran. Maybe in this hemisphere the line would be different. Maybe Iran taught us a lesson, I don't know. The question is how far will we go? Obviously the most efficient thing is to send in the Marines. We have to work back from that. Maybe we can't send in the Marines, so we work back from that.

Q: *What about the OAS. Couldn't we get something going there?*

Smith: What about the OAS? What do you mean? Once there is a lull, they could intervene between the two sides in a peace-keeping function, but if you're talking about sending in the OAS now, it won't get approved. You're asking if the OAS would intervene at the point the Sandinistas—let's say for the purposes of our argument—would be on the verge of taking over. That won't work. You can't send them in to defeat the Sandinistas. Other countries [in the OAS] wouldn't agree to it. The politics of the OAS won't permit it. No one

is going to want to send in their troops to get shot at in Nicaragua. It has to be for peace-keeping.

Q: *You mean if Somoza survives the present Sandinista offensive, there will be a lull in the fighting and that's the time to move in the OAS; we'll be able to take advantage of the lull?*

Smith: Exactly. Once there is a lull. We'll see some action soon. In two to three weeks everyone is going to be groggy, battle-fatigued. Somoza will survive but he is going to be groggy, waiting for the next round.

Q: *What about having Condeca help Somoza?*

Smith: That's a very critical question.

Q: *Why? I thought they were solidly behind Somoza.*

Smith: It's not so simple. The question is if they think they can win. Look, Somoza has what? Twenty, twenty-five thousand troops. Would another ten thousand from El Salvador, or another fifteen thousand from Guatemala make a difference? If they go in, how long would they stay? A year? And they have their own contingencies too.

Q: *What if some of Somoza's own officers get edgy and decide to get rid of him?*

Smith: You mean a coup?

Q: *Right.*

Smith: Sure. They might decide to put him on a plane to Miami or they might just shoot him. If I were in the National Guard, that's what I'd do. It's quite possible.

U.S. seeks Dominican Republic replay

On June 9, articles began appearing in the U.S. press which openly called for a U.S. "show of force" or military intervention in the Nicaragua crisis. The Washington Star led off the campaign with a banner headline on that day proclaiming "U.S. Sees Somoza Finished, Hopes for Exit to End Crisis" by Jeremiah O'Leary. Excerpts follow:

The White House, State Department, and Pentagon are of one mind that Somoza must go before it's too late for the moderate opposition and the National Guard to form a new government in the face of growing strength demonstrated in the latest offensive of the Marxist-oriented Sandinista rebels....

But despite its opposition to Somoza, the United States is even more opposed to a Communist takeover of Nicaragua....

Among the options being considered at high levels here this weekend are the following:

... Sending American naval units to make a show of force off the Pacific coast of Nicaragua to demonstrate to anti-Communist elements in Nicaragua that the U.S. will not tolerate another Cuba in the Western Hemisphere....

Some officials are comparing the situation to the Dominican intervention in 1965, when President Lyndon B. Johnson sent in U.S. forces to separate the two sides in that civil war but under the aegis of the Organization of American States.

If the Somoza regime falls to the Sandinistas, some officials believe the United States would call an emergency meeting of the OAS in order to obtain approval for a military intervention similar to the Inter-American Peace Force which imposed peace and a democratic government on the Dominican Republic.

While the peace force of 1965 included troops from Brazil, Paraguay, Costa Rica, Panama and Honduras, the majority of the 25,000 troops were U.S. Marines and paratroopers....

Campaign 1980

'Citizens for Haig' wheels into action

The Haig-Kennedy 1980 election scenario, under which General Alexander Haig will defeat Senator Edward Kennedy, the Democratic standard bearer, for the Presidency, first exposed by this news service in December of last year, is moving into high gear. With his impending retirement as NATO commander in chief clearing the way for a formal declaration of his candidacy, Haig has been given a major boost by key representatives of the British oligarchical faction which has long sought to recolonize the United States under the code words "Atlantic Union" and "Anglo-Saxon unity."

This news service has learned that the prime mover behind the recently-launched "Citizens for Haig" committee, temporarily headquartered in Chicago, is one Mrs. Chase Salmon Osborn, a Republican Party activist whose list of Anglophile credentials puts her in the top rank of pro-London propagandists.

In addition to holding membership in the London Institute for World Affairs, the English-Speaking Union (both the Washington and London branches), the Atlantic Union and its Otto von Hapsburg-linked Munich affiliate, the Union Atlantischer Föderalisten, Mrs. Osborn is also current chairman of the Federal Union, Inc., a group she helped found together with Clarence Streit under the direct supervision of the Fabian Society's International Bureau (itself an arm of Cecil Rhodes's elite Round Table). Mr. Streit, who is also reported to be lobbying for Haig, is a former Rhodes scholar, student of Sufi mysticism, ex-father-in-law of New York City Big MAC chairman Felix Rohatyn, and author of the book, "Union with Britain Now."

Mrs. Osborn is using the Washington, D.C. offices of the Federal Union, which describes itself as "dedicated to forging the Western democracies into an entity much more binding than NATO," as a base of operations to mobilize support on Haig's behalf.

Questioned this week about the organization's apparent pro-Haig leanings, a Federal Union spokesman said that the outgoing NATO commander-in-chief's oft-repeated call for the U.S., Western Europe, and Japan to integrate their economic and political, as well as military, resources "is right in line with what we're advocating."

Under Mrs. Osborn's impetus, "Citizens for Haig"

has been actively contacting potential Haig supporters around the country. The group has received positive responses so far from New York Congressman Jack Kemp, who offered to do "anything I can to help" elect Haig; former Defense Secretary Donald Rumsfeld, who is telling reporters that "my close friend Al is extremely able, competent and one helluva guy"; Zionist Lobby Senator Rudy Boschwitz (R-Minn.); and Elizabeth Taylor's sixth husband, Senator John Warner of Virginia, ex-Secretary of the Navy.

Meanwhile, Haig's spate of backroom powwows with U.S. media czars last month is beginning to pay off. Over the past week, he has been the subject of an Evans and Novak-authored paean in *Look*, a photo-essay in *Life*, an interview in Katherine Graham's *Newsweek*, and a blurb in *Armed Forces Journal*. The latter is also planning to publish an "unauthorized biography" of Haig just in time for the elections.

This public relations gear-up is only the beginning, according to "Citizens for Haig" coordinator Mark Camphouse. "We expect the campaign to take off like a blitzkrieg just as soon as the General resigns June 30," he told a reporter this week. Camphouse also expressed confidence that "with the right image makers, the American population can be manipulated into accepting Haig's military background as a positive factor."

Kennedy fiddles while Carter burns

Under the combined force of the Peanutgate probe, a series of defeats on Capitol Hill on such crucial questions as Rhodesian sanctions, and the probable torpedoing of the SALT II treaty by the Senate, the administration of President Jimmy Carter is unraveling by the hour. Even his recent attempts to "act confident" about his reelection chances—epitomized by his June 11 threat to "whip Kennedy's ass"—are being used by his opponents to make him look ridiculous. Asked by CBS News June 13 to comment on Carter's remark, Kennedy smirked, "I think he was really trying to say that he would whip inflation."

Just a few days earlier, Kennedy had upped the ante in his undeclared bid to supplant Carter as the Democrats' standard bearer in 1980 when he asserted in a

widely-syndicated interview with the *Boston Globe*, that he "probably" would run for the White House if Carter decided to retire. "I'd certainly have to think about it terribly seriously," he said.

Getting Carter to decide not to run is exactly what the burgeoning "Dump Carter/Draft Kennedy" movement—which is operating with Teddy's implicit blessing—is all about. But while new "Democrats for Change" and related organizations are springing up almost daily, real grass-roots support for a Kennedy bid is virtually non-existent.

Underscoring the fact that the much-touted "Kennedy Fever" is largely a media hype was the less-than-spectacular turn-out at a national "Draft Kennedy" meeting in Minneapolis June 10. Organized by Fritz Mondale's protégé Rep. Richard Nolan (D-Minn), the Minneapolis gathering drew together only 250 Kennedy activists, hardly an indication of widespread popular strength.

Mondale ... Again?

Speaking of Mondale, certain factions within the Anglo-American establishment are apparently developing the former Minnesota Senator and short-lived 1976 presidential contender as a fallback option in case they are forced to shelve their current plans for nominating Kennedy. At the root of this tactic is the looming possibility—hinted at openly by Democratic National Chairman John White last week and by numerous press pundits—that a Kennedy candidacy would split the Democratic Party wide open and send important segments into the camp of U.S. Labor Party candidate Lyndon H. LaRouche.

Over the past weeks, a growing number of pro-Kennedy activists—including Americans for Democratic Action director Leon Shull, New York lawyer Paul O'Dwyer and Rep. Nolan—as well as Committee on the Present Danger bigwig Sol Chaikin, have been privately talking up Mondale as the "ideal substitute" for Kennedy. Their common theme is that Mondale, unlike Kennedy, is one of the few liberals with firm ties to labor and the minorities!

The Mondale option was brought to the public's attention June 11 by *Christian Science Monitor* Washington correspondent Godfrey Sperling, who observed that: "... the real second choice (for Democratic nominee—ed.) of influential liberal politicians is Mr. Mondale. ... He's still riding high among the liberals who hold most of the key Democratic Party posts in the North and who over the years have controlled the party...."

Several of these "influential liberals" have told the *EIR* it's entirely possible that, should Carter be forced

to withdraw, he may well throw his full support behind Mondale in order to deny the nomination to his arch-enemy, Kennedy. This scenario, of course, would help further the ultimate election of Haig as President.

The Massachusetts Senator, meanwhile, has been the target of several not-so-subtle warnings from the Eastern Establishment press that he will not be allowed to get too big for his breeches. Coming primarily from the *New York Times*, the *New York Post*, and the *Christian Science Monitor*, these warnings have taken the form of "gentle reminders" about the Chappaquiddick incident, whose tenth anniversary is July 18. Kennedy "loyalists" over at the *Washington Post*, which is controlled by the Kennedy family bankers, Lazard Freres, leapt to Teddy's defense June 8 with a morbidly bizarre interview with the parents of Kennedy's victim, Mary Jo Kopechne, headlined "Kopechne Won't Fight a Kennedy Race in 1980."

Strange Bedfellows Department

Teamster sources report that GOP candidate John Connally is secretly conniving with Ted Kennedy to push the latter's scheme to deregulate the trucking industry. While actively courting labor support, Connally is also reported to be working for the repeal of the labor-backed Davis-Bacon Act. A white paper soon to be released by presidential candidate Lyndon H. LaRouche, Jr., documents that the deregulation proposal, hatched by the Brookings Institution in collusion with its "conservative" counterpart, the American Enterprise Institute, will cost the U.S. economy a whopping \$500 billion.

Meanwhile, William Buckley protégé Richard Viguerie has told friends that he's thinking of offering his fund-raising services to Connally. Viguerie, who is reliably reported to have voted for Jimmy Carter in 1976, has been working up till now for Republican presidential hopeful Phil Crane.

Viguerie has almost singlehandedly managed to destroy Crane's campaign; controversy caused by the fact that he raised \$1.7 million for Crane—by spending more than \$2 million—provoked sweeping defections by the Illinois conservative's top campaign staff last month, and Viguerie's temporary resignation. It now appears that Viguerie's Council on Foreign Relations stringpullers are deploying him into Connally's operation to perform a similar wrecking function in order to begin clearing the field for their preferred candidate, Alexander Haig.

—Kathleen Murphy

'Try drug pushers as traitors'—Georgia state

In a new escalation in the fight against drugs and organized crime in Atlanta, Georgia State Senator Culver Kidd (D-Midgewille), has introduced legislation calling for a minimum \$250,000 bond—going as high as \$1 million—to be placed against those convicted as drug pushers; changing sentencing to impose a minimum of five years imprisonment, while making a distinction between drug pushers and users; and urging enactment of a federal law that would enable drug pushers to be prosecuted as traitors and charged with treason against the United States. Testifying in support of his measures to stop the transport and use of drugs in this country, as well as abroad, Senator Kidd said:

First, I would like to read you a couple of the many, many letters that I have received since notification was carried in the news media concerning this meeting here today. I am sure that the feeling of most of the people of Georgia and really the United States, is pictured in the words of these two letters. . . .

I also would like to call to your attention the letters that I have received from some of our senators and congressmen in Washington. I am sure they recognize the problem and know that positive steps must be taken in order to change the direction in which our country is continuing to go, when it comes to dealing with drugs and drug users.

Of all the letters that I have received, I had only one that criticized the proposal that we study the possibility of trying for *treason* the pushers that we have throughout this country and other countries that are causing the drug problem. Of all things this adverse editorial ran in my own paper, the *Union Recorder*, and I would like to read it to you, so you can see just how some of the minds of our news media run, and what their thinking might be about those that are trying to do something and accomplish something for the best interest of all of us.

Over a million Georgia citizens have already taken a stand against the continued growth of drug abuse. These citizens have signed petitions stating that they want something done, something needs to be done, and let's get it done. As this problem reaches younger and younger children, the determination of our citizens to stop drugs will grow greater and greater. In recent months I have seen and heard evidence that what used

to be an abstract fear for the welfare of one's own child turned into a specific conviction that our whole social structure is now in jeopardy! Regardless of how the child is ultimately exposed to drugs—whether he gets them from a friend or buys them from a neighborhood peddler—the one on top of the chain of supply is the professional pusher, who in conspiracy with counterparts in other countries and every state in our country, arranges for the smuggling and distribution of illegal and harmful drugs that eventually filter down to our children. It is a known fact that over 3,000 major drug pushers have been caught in this country, arrested, yet they have escaped any type of sentencing and have left the country. They are now the major pushers in other countries, such as Colombia and Jamaica. This conscientious conspiracy to undermine the welfare of an entire generation is nothing less, to me, than treason and the *perpetrator* can rightfully be called a *traitor to his country and to our people*. I dare say that in all of our history, those tried for a treason act seemed relatively undramatic, when compared to the thousands of young lives, and billions of our national wealth, that are going down the drain, to the personal benefit of the drug pushers and their organizations.

I have already noted a startled reaction to the term treason. I am open to suggestions for a better word to describe the depraved leech who preys on the most important resource we have to assure continuation and improvement of our way of life—our children! I am open to suggestions for a better word to describe the organized criminal faction that creates the need to divert millions of dollars of our national resources to treat and rehabilitate victims, to enforce the narcotic drug laws, to pay for losses sustained through drug-related crime. I am open to suggestions for a better word for the animal who sustains his criminal empire on the lives of children, the misery of disrupted family happiness, the helpless fear of entire communities, and in fact the welfare of the entire country in which he seems to operate with relative impunity. Whatever words you offer me must reflect the growing concern of everyone to whom I speak. It must identify this *despicable* crime at a level of extreme crisis that deserves extreme measures. It is the intent of this hearing to establish the basis for governmental response to that concern.

senator

I have no ready panacea to offer. However, I hope what is said here today, what is offered as testimony to the existence of a threat to our country, will be the trigger for a chain reaction at all levels and branches of government—from the grass roots to the White House—to take a positive stand, to give the threat its rightful priority, and in recognizing the magnitude of the threat of drug abuse—declare war! For war it is; there would be no hesitation to declare war on an enemy who threatened to annihilate our children and destroy our homes. There would be no leniency for that invader; and there would be apologies if we impose the concept of individual freedom at the expense of the welfare of the society.

I would like to see this hearing address itself to possible solutions to the overall problems of the growing availability of drugs to our children, and how to stop it. I would like to see this hearing emerge as the confirmation that our system can be responsive to its citizens, and that they, as always, can successfully overcome any threat or challenge to the American way of life.

I would like to know your feelings in three major areas: (1) Is not our bail system today terrible? Should we not put into law that anyone that is found to be a pusher, and let me state pusher, that the minimum bond would be \$250,000.00—and possibly should go as high as a million dollars. We know that raising the money for bonds, regardless of the size, is very easy for the big pusher. Nevertheless, small bonds are being placed today on those pushers that our law enforcement officers have taken months and yes, even years to catch, only to find that they are back on the streets hardly before the ink dries on the warrant. (2) Change our method of sentencing. It is spelled out today from zero to five years, or whatever number of years it might be, we are dealing with zero up. I think the law should be changed to five to 25 years. If this be true, then no judge could sentence someone for one year or even less, even though they were found to be a pusher. Let me again state that, by pusher, I am not talking about some young person that has been asked to go and buy a bag of marijuana, and come back and sell it. I am talking about the higher-ups, those that are dealing on the large scale, those that in most cases have connections in foreign countries and are a definite conspiracy

to bring in these drugs by airplane, boat, or any other method that they find to be successful. (3) Calling upon our Congress to consider the idea of charging drug pushers with treason. This would have to be a federal act and not a state act. To me, I am hoping that the feeling will be brought out here today, and the evidence that will be given to you, will make you agree with me, that treason is a sure way to go in dealing with the drug pushers. Attention should be focused by Congress on what they have accomplished in Mexico. For many years, over 95 percent of the heroin that was shipped into this country came from Mexico. Our government has given them food to grow to replace their money crop—heroin. This has proven to be very successful. On the other hand, as I stated earlier, we have not made the same move or had the same success with Colombia and Jamaica. We need to see if these countries would not change their main money crop from drugs to agriculture. I am sure we all will agree that if this country of ours, our state, has lost the will to fight, then certainly we have lost the fight. However, I see no sign of that in the heavy mail that I have been receiving and the many telephone calls that have been directed to me concerning the interest of the people of this state in the drug problem. I see no sign of that, in the over a million Georgians who have already petitioned for action. I see no sign of that in the smouldering resentment on the majority of the public to the manipulation of the justice system by these criminal vampires who escape incarceration through closable loopholes in our sentence structure. I see no sign of a lack of will in our various enforcement organizations who work against overwhelming odds in a frustrating attempt to stop trafficking—only to see the criminal set free or escape his deserved punishment. I see no sign of quitting on the part of those who have been touched by drug-related tragedies. What is lacking is a vehicle to bring the voice of the concerned majority of the American citizenry into focus, so that it can drown out the loud minority who would have us believe that the drug culture can be assimilated into our society without serious harm. It is my hope, and I am sure it is each one of your hope here today, that this hearing will provide the launching point for similar millions of concerned people in other states to join hands and support a massive drive to stop drugs at its source.

I thank you.

—State Senator Culver Kidd
Dem., Milledgeville

Congressional Calendar

Jackson introduces Nazi energy development bill

Sen. Henry "Scoop" Jackson announced on June 11 that he is leading a band of 18 of his upper-house colleagues in a legislative drive for development of "alternative energy resources" for the U.S. At a press conference in the capital, Jackson announced the birth of S. 1308, the Energy Supply Act of 1979, to establish funding for such synthetic fuel production as coal gas.

Production of synthetic fuels has not been discussed seriously since the Nazi effort to develop them in the 1930s. Today, it would require policies of wage austerity and inflated energy prices similar to those of Nazi Germany to produce a payoff for synthetic fuel projects. This hasn't dampened the enthusiasm of either Jackson, or Brookings Institution "economist" Arthur Okun. Okun declared this week: "Germany fought World War II with synthetic oil? Why can't the U.S. use it?"

Points of Jackson's new legislation include:

- cutting U.S. oil imports by 6.2 million barrels a day by 1990;
- speeding up federal approval and demonstration programs for nonnuclear fuels such as solar, geothermal, biomass, coal gas, coal liquification, and massive funding of such fuels;
- establishing the commercial viability for coal shale;
- developing gasohol and solar energy;

- fostering major coal conversion of U.S. industries.

Hearings on Jackson's proposal will begin shortly in the Senate Energy Committee and the Senator has declared his goal is "to bring this bill back to the Senate for enactment before the August recess."

Other legislation for funding of synthetic fuel production will reach the floor of the House over the next two weeks. Congressman Moorehead (D-Pa) has proposed an amendment to the Defense Production Act of 1950 which sets a five-year goal in which 500,000 barrels of oil a day used by the military would be replaced with solid wastes energy sources, coal gas, and oil shale. Moorehead has declared that U.S. national security depends on an energy source independent of oil supplies. Moorehead's amendment provides for \$2 billion of taxpayers money to ensure high-price guarantees for these products. House Majority leader Jim Wright wants to see the \$2 billion figure increased to \$10 billion and will have this proposal offered when the bill reaches the House floor.

New life has been given to S. 730, known as ENCONO, the long-standing proposal for an Energy Corporation of the Northeast. Hearings on the bill, which would establish a supragovernmental northeast regional structure to finance energy conservation and such boondoggles as solar energy programs, will begin July 16 in the Senate Energy Committee.

The anti-industry intent behind the ENCONO bill was reflected in an energy program issued this week by the New England Energy Caucus, headed by Senator Kennedy's Massachusetts collaborator, Senator Paul Tsongas (D-Mass). After endorsing the ENCONO proposal, the group called for cutting in half New England's dependence on fossil fuels and replacing oil with wood-fired industrial plants and hydroelectric power as major power sources.

Under the guise of serving as funding for oil development, another scheme is being pushed by Congressman Peyser's (D-NY) office to establish a government funding mechanism that will sell bonds to pension funds, corporations and others and use the money for oil exploration and alternate energy sources. The plan Peyser is working from was outlined by oil and gas company owner Samuel Lefrak in the *New York Times* June 8. Lefrak called for a National Energy Bank "to finance exploration or technical research in alternative resources." Peyser's office this week acknowledged that Lefrak had called the Congressman to have his staff begin working on his plan.

Hill climate builds for Mexican oil grab

June 6 hearings of the Senate Finance Committee's International Trade Subcommittee on the "evolving relationship between

Mexico, Canada and the U.S." signaled a renewal of congressional interest in the so-called North American Common Market, a scheme floated by Lazard Freres's Felix Rohatyn and other London-linked financiers as a cover for U.S. takeover of Mexico's giant oil reserves.

The energy grab underpinnings of the common market plan were mooted again during last week's hearings, when Rep. Arlan Stangeland (R-Minn), who has cosponsored a resolution calling for an "energy summit" among the three North American nations, testified. Stangeland told the committee that an energy summit would help to overcome blockages to the establishment of a continental common market—such factors as "economics, distribution systems, social considerations, national pride." Strangeland also emphasized that a common market structure would be suited to supranational implementation of new energy resource projects, including the Canadian tar sands, and American coal gasification capabilities.

Also testifying at the hearings were representatives of the Brookings Institution, the State Department, and the office of the President's Special Trade Representative.

No immediate action is expected on the Stangeland Resolution, which was cosponsored by Sen. Robert Dole of Kansas. But an administration study of the North

American Common Market proposal has been mandated as part of the multilateral trade negotiation legislation which is due soon in Congress. Backers of the plan understand that the U.S. must not give the appearance of moving too quickly or precipitously on this issue, if the Mexicans are to alternately be cajoled or forced into acquiescence.

It is likely for that reason that Representative Henry Reuss (D-Wisc), chairman of the House Banking Committee, has issued a call for the consolidation of a "Caribbean coalition" which would include the U.S., Canada, Mexico, Central America, Venezuela, Colombia, and all the Caribbean Islands. A spokesman for Reuss said that while he supports the idea of a North American Common Market, it is a long way in the future, and a coalition which could deal with specific, narrow economic and labor factors is at least a more immediate step in that direction. Reuss has sent his proposal to the administration and to all Caribbean ambassadors to the U.S. for comment.

House hears Freeman vote fraud challenge

Both the Democratic and the Republican leadership of the House of Representatives were thrown into an uproar yesterday as the vote fraud challenge by the Labor Party's Debra Hanania Freeman came

to the floor of Congress. According to a number of congressmen, Mrs. Freeman is the first contestant in this century to actually be seated on the floor of the House while her charges were being presented.

After an unknown Congressman requested a roll call vote—despite O'Neill's and Thompson's fervent pleas for a unanimous voice vote—the chain of votes supporting Thompson's resolution was broken by Rep. Davis, who voted against dismissing Freeman's case. Thompson and other O'Neill flunkies immediately pounced on Davis, so that, in the words of one observer, "you couldn't even see him anymore." Finally, under enormous pressure and near panic being displayed by O'Neill, Davis relented and changed his vote.

During and after the vote, dozens of congressmen and their aides came up to Mrs. Freeman, congratulating her for being the first contestant in memory to get this far, and some even requesting her autograph. But in the back of all of their minds was the question asked explicitly by two congressional aides, "Mrs. Freeman, what do you think of (U.S. Labor Party Chairman) Mr. LaRouche, and what do you think he will do in the 1980 elections?"

—Barbara Dreyfuss
and Susan Kokinda

Parkhurst gets into the act

Sometimes-violent protests by independent truckers against the Carter administration-induced shortage of diesel fuel and its skyrocketing costs spread to the East Coast last week. Groups of independents—truck drivers who own their own rigs—blockaded truck stops along interstates in Connecticut, Massachusetts, and New Jersey, while at least two attempts by truck caravans to tie up traffic on the George Washington Bridge were narrowly averted by New Jersey state police. Sniper fire hit nonstriking trucks in the Midwest and Rocky Mountain states, while the wife of a truck driver was critically wounded in Alabama. Police and the National Guard have been placed on alert in several states.

With the violence and highway terrorism spreading, Mike Parkhurst the editor of the semi-pornographic *Overdrive* magazine and the head of the Independent Truckers Association, got into the act. Declaring that truckers could no longer wait for redress of their grievances, Parkhurst called for all independents to park their rigs. Parkhurst, who earned the name "field marshal" for his activities in promoting the violent shutdowns of the winter 1973-74, called on truckers to disrupt shipments of food. "We are going to make people hurt," he boasted. The media immediately began to zero in on Parkhurst, covering him as the "leader and chief spokesman" for the independents.

Who is this would-be field marshal who boasts of a "military command center" at his *Overdrive*

headquarters in Los Angeles?

Parkhurst has made a good living out of playing on the fears and desperation of the independents and attacking the Teamsters union. In the space of 15 years, he has built advertising and related income from his magazine. But some people are wondering who he really works for.

Overdrive has received heavy doses of income from the Paccar Corporation, whose finances are controlled by the Lazard Freres investment bank of Felix Rohatyn and on whose board sits former CIA director McCone. Advertising represents a standard vehicle for conduiting Wall Street money to controlled front organizations. Articles in *Overdrive* in 1973 supported the coup in Chile—an operation directed by the U.S. State Department and National Security Council under the direction of Henry Kissinger; few people have the nerve to support the overtly fascist Pinochet regime. Quack economist Milton Friedman advises Pinochet, and Parkhurst has said that he supports the economic policies of Milton Friedman and calls himself a "radical free market capitalist in the tradition of Adam Smith..."

When Milton Friedman's "free market" think tanks such as the American Enterprise Institute or the Heritage Foundation, which push trucking deregulation, need somebody to represent the "poor independents," Parkhurst is the man who shows up.

And then there is the paramilitary manner in which Parkhurst conducted the 1974 shutdowns,

with his "war room" and "choke points." Everything about Parkhurst, according to informed sources, points to him being a "domestic counterinsurgency specialist" in charge of deploying the independents in operations against the country.

In 1974, Parkhurst's "shutdown" mapped into plans drafted by the Office of Preparedness and the Department of Defense for a full militarization of the transportation system—using Parkhurst-provoked violence as a pretext. This plot fizzled when the U.S. Labor Party and sections of the Teamsters union exposed it.

Will Meany retire?

Is George Meany, the 85 year-old battle axe, planning finally to retire as AFL-CIO president? That's the word going around federation circles, as reports of Meany's debilitating physical condition began to make their way into the press last week. The AFL-CIO president, according to the reports, has been a near invalid for months. Sources quoted in the *New York Times* claim that Meany remains mentally alert, though others say that he has almost no attention span.

Number one in line to replace Meany as federation president is Lane Kirkland, the Secretary Treasurer. Kirkland is even more pro-British, anti-Soviet, and anti-detente than the senile Meany. A close ally of Energy Secretary James Schlesinger and one of the most hated men in all of organized labor, Kirkland, an executive committee member of the "Committee on the Present Danger," is now on a crusade against the SALT treaty.

The real question is not whether Meany will retire, but whether Kirkland, who already effectively runs the AFL-CIO, will be able to steer the federation behind the presidential candidacy of Gen. Alexander Haig.

—L. Wolfe and M. Moriarty

AMERICAN SYSTEM

American System economist rebutted Malthus—140 years ago

In a June 5 speech to the International Association of Energy Economists in Washington, Energy Secretary James Schlesinger recommended what he called the "Neo-Malthusian model" as relevant to today's economic problems. But the zero-growth Parson Malthus was laid to rest by the American school of political economists in the 19th century, who correctly viewed such "theories" as mere justification for British colonialism—exactly the purpose of "Neo-Malthusianism" today.

Friedrich List was a German political economist who played a key role in America's industrial development, working with Mathew Carey's Pennsylvania Society for the Promotion of Manufactures and the Mechanic Arts from 1825 to 1830. Returning to Europe, List wrote his groundbreaking "National System of Political Economy" in 1841, from which we excerpt his exposé of Malthusian quackery:

Only by ignoring the cosmopolitical tendency of the productive powers could Malthus be led into the error of desiring to restrict the increase of population, or Chalmers and Torrens maintain more recently the strange idea that augmentation of capital and unrestricted production are evils the restriction of which the welfare of the community imperatively demands, or Sismondi declare

that manufactures are things injurious to the community. Their theory in this case resembles Saturn, who devours his own children ... because it merely regards the present conditions of individual nations, and does not take into consideration the conditions of the whole globe and the future progress of mankind.

It is not true that population increases in a larger proportion than production of the means of subsistence; it is at least foolish to assume such disproportion, or to attempt to prove it by artificial calculations or sophistical arguments, so long as on the globe a mass of natural forces still lies inert by means of which 10 times or perhaps 100 times more people than are now living can be sustained. It is merely narrow-mindedness to consider the present extent of the productive forces as the test of how many persons could be supported on a given area of land. The savage, the hunter, and the fisherman, according to his own calculation, would not find room enough for 1 million persons, the shepherd not for 10 million, the raw agriculturalist not for 100 million on the whole globe; and yet 200 million are living at present in Europe alone....

Who will venture to set further limits to the discoveries, inventions, and improvements of the human race? ... Let us merely suppose that through a new discovery

we were enabled to produce heat everywhere very cheaply, and without the aid of the fuels at present known: what spaces of land could thus be utilized for cultivation, and in what an incalculable degree would the yield of a given area of land be increased? If Malthus's doctrine appears to us in its tendency narrow-minded, it is also in the methods by which it could act an unnatural one, which destroys morality and power, and is simply horrible.... It would elevate the most heartless egotism to the position of a law; it requires us to close our hearts against the starving man, because if we hand him food and drink, another might starve in his place in 30 years' time....

If in a nation the population increases more than the production of the means of subsistence, if capital accumulates at length to such an extent as no longer to find investment, if machinery throws a number of operatives out of work and manufactured goods accumulate to a large excess, this merely proves that nature will not allow industry, civilization, wealth and power to fall exclusively to the lot of a single nation, or that a large portion of the globe suitable for cultivation should be merely inhabited by wild animals, and that the largest portion of the human race should remain sunk in savagery, ignorance, and poverty.

State provokes energy fight between Third World, OPEC at UNCTAD V

The U.S. State Department is reportedly referring callers to the London *Economist* for an accurate statement of their own views on the UNCTAD V session which came to a close in Manila on June 3. The *Economist* pronounced the meeting an "odd success"—in that "mere discord" replaced confrontation—that was marred only by the failure for the time being of the attempt to make a war between OPEC and the non-oil producing countries over energy prices stick.

Significantly, the State Department's reluctance to ascribe failure to the UNCTAD meeting was echoed in official remarks of Mr. Cecil Parkinson, Britain's Minister for Trade and UNCTAD delegation chief. Insisting the UNCTAD meet was "anything but a failure," Parkinson told the London *Financial Times* of June 12 that Britain's objective was to "persuade" developing nations to cooperate in "maintaining and strengthening—not in overturning—the existing international arrangements for cooperation on trade and financial issues."

Sources report that while State Department spokesmen embrace the "new reality" of a potential rupture between OPEC and the Third World that "won't go away," they are defensive about their own role in provoking the energy price flap in Manila to preempt practical discussion of the New World Economic Order program. "I wouldn't want to say

that I was aware of a link between energy and any other issues," one spokesman told a reporter recently.

In fact, the demand by a group of Latin American countries to place a full discussion of high oil prices and their damage to the non-oil producing Third World nations on the agenda hamstrung negotiations on the central topic of evaluating the world economic situation "with a view to attaining the establishment of a new international economic order," and ultimately produced a stalemate on that pivotal issue—despite the fact that as a result of 11th-hour talks with OPEC representatives the Latins agreed to withdraw their demands.

The U.S. was in the middle of this sabotage operation, official protests to the contrary. According to Agence France Press of May 28, the U.S. delegation tried desperately to revive the Latin American push within 24 hours of their decision to abandon attempts to get a full debate on the impact of high energy prices with the "private circulation" of a document showing that OPEC revenues would soar over the next months and years and that Third World payments balances would nosedive. State Department sources report that even at the very outset of the conference, when no one expected energy to become an issue, the Anglo-American-led Group B advanced countries delegation penned an

"innocent" little statement on the world economy, which unintentionally contained the word "energy."...

What the anglophile State Department fears is that the type of leadership represented by the energy initiative of Mexico's President Lopez Portillo may clear the ground for concrete steps toward a peace-and-development-based New World Economic Order to replace the bankrupt International Monetary Fund/World Bank complex. Said one State Department representative: "Well, the Portillo initiative predated the Latin American demands at UNCTAD. Quite some time ago, Portillo first made a strangely worded statement about the patrimony of humanity, and things like that. But he still hasn't been specific at all. Our latest information is that he (Portillo) is now sending representatives around to developing countries to get an idea of what they'd like to see.

"He will present something at the United Nations General Assembly this fall.

"We are prepared to consider the proposal favorably—if it makes sense. Mexico is not from OPEC. Maybe Mexico has the clout. We have long wanted a multilateral forum on this. We are waiting sympathetically to hear what he says. A lot depends on what OPEC wants, how OPEC responds. Since the Mexican oil discoveries, Mexico is under pressure from the rest of Latin America."

That the prodevelopment forces around Mexico chose not to make a high-profile stand at Manila defined the meeting as a stand-off—in itself an unnecessary advantage for the Anglo-Americans—until the next round of North-South "energy" politics centering on the September General Assembly session.

—Susan Cohen

FACTS BEHIND TERRORISM

FALN set for terrorist action in U.S., Puerto Rico

Sources in the law enforcement community have confirmed that information indicating major actions by the Fuerzas Armadas de Liberacion Nacional (FALN) in both the continental United States and Puerto Rico is in the possession of federal and local authorities. In the weeks following the escape of FALN member William Morales from Bellevue Hospital's security ward, several suspected and wanted members of the FALN have reappeared in the New York metropolitan area. At the same time, it is suspected that Carlos Alberto Torres, who is a leader of the FALN on the FBI's Ten Most Wanted list, was recently sighted in the area of Seattle, Washington where the National Lawyers Guild and the American Friends Service Committee have conducted a massive exchange program for legal support and training between terrorist networks in the United States and Puerto Rico.

The immediate focus for such a terrorist activation is the upcoming Pan American games, which will take place in San Juan in late July. Already threats against the games, which include teams from the U.S., Canada, Mexico and all of Latin America, have been reported. Using the opportunity of having thousands of visitors to Puerto Rico for the games, the "Committee to Free the Five" and the Puerto Rican Socialist Party (PSP) have promised to stage a mass protest over the flying of the American flag. The Committee to

Free the Five, which is protesting the incarceration of the five Puerto Rican nationalists who staged an armed assault on the House of Representatives in the late 1940s, includes many members of the FALN support networks as well as several suspected soldiers of the terrorist operation itself.

The reported appearance of Carlos Alberto Torres in the Seattle area provides a key to the logistical preparations behind the threatened wave of terrorism. Seattle is an intersection point in the operations of the American Friends Service Committee, the Episcopal Church and the National Lawyers Guild, which have all played a role in sustaining and protecting the terrorist operations of the FALN, the George Jackson Brigade, which operates primarily in Washington State and Oregon, and a Seattle-based network of radical Palestinians connected to lawyer Abdeen Jabara in Detroit.

Informed sources report that the National Lawyers Guild/AFSC project was in fact recruiting terrorists for the FALN. A key figure in this operation is NLG attorney Michael Withey. In 1977, Withey was subpoenaed to appear before a federal grand jury investigating the George Jackson Brigade after he made several contacts with police concerning his defense of a George Jackson Brigade terrorist. Withey indicated advance knowledge of a Brigade operation before the arrest of his "client" had been confirmed.

Withey's contact with the ter-

rorist networks dates back at least to 1975 when he headed the National Lawyers Guild delegation to Puerto Rico to study repression of civil liberties on the island. Along with Withey on the team was Mara Siegel, who was later the lawyer for the several witnesses subpoenaed to appear before a federal grand jury in Chicago on the FALN. Siegel was also one of the attorneys for Lolita Lebron, one of the "Five" nationalists who attempted to assassinate President Harry Truman, and for the "Committee to Defend the Five," which operates in New York and Chicago.

Law enforcement officials connected to the investigation of the FALN are concerned that a major center of the operation—the Hispanic Commission of the Episcopal Church—has succeeded in evading investigators under the cover of "religious freedom."

Carlos Alberto Torres and Oscar Lopez Rivera, two of the FALN terrorists on the FBI's most wanted list were both paid members of the Hispanic commission.

The FALN is one connection which could lead to significant breaks in investigation of international terrorism. It has been revealed that the name of Helene Ellenbogen, another member of the Seattle National Lawyers Guild terrorist team, has been found in the address book of a Baader-Meinhof terrorist recently apprehended in West Germany.

—Michele Steinberg

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Austria and Spain from U.S.	GM will build plants in Zaragoza and Cadiz, Spain (\$1.5 bn) and suburb of Vienna, Austria (\$.5 bn)	\$2 bn	NAv	GM public announcement
Venezuela from U.K.	3.8 mn ton per year expansion of steelmaking capacity	\$250 mn	Loan comanaged by N.M. Rothschild's and Barclays International	Loan announced
Brazil from Canada	Project loan for port expansion	\$250 mn	Lead bank is Toronto Dominion	Loan signed
Romania from U.K.	Romanian Aircraft Industry from British Aerospace Corp. for construction in Romania of the U.K. group's 1-11 jet airliner, with technology	\$237.3 mn	NAv	Final contract signed
Columbia from Japan and Inter-American Development Bank	Hydroelectric power station	\$177 mn	Tokai and 6 other Japanese banks (\$30 mn), IADB (\$70 mn) loans, Japanese loan is at .75 percent over LIBOR	Loan signed
East Germany from France and Poland	Creusot Loire to build nitrate fertilizer plant in Rostock. Poland will help with engineering. Creusot Loire and East Germany will cooperate in third country sales.	NAv	NAv	Contract sealed

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

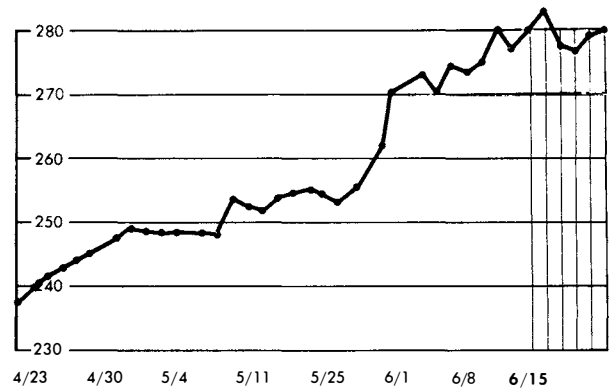
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

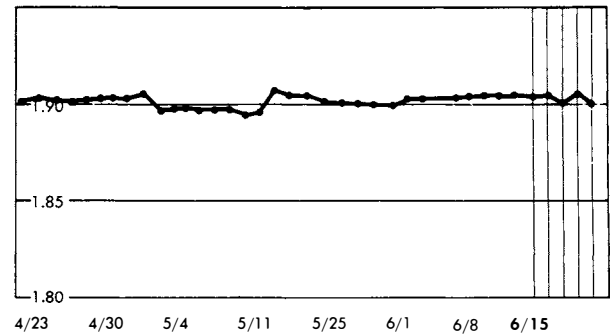
June 11	282.35
12	277.75
13	276.60
14	279.00
15	280.00



The dollar in deutschemarks

New York late afternoon

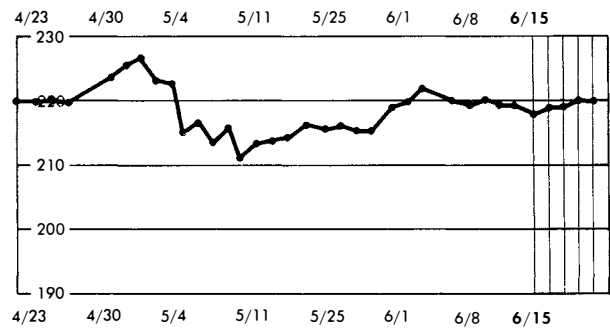
June 8	1.9110
11	1.9138
12	1.9090
13	1.9106
14	1.9045



The dollar in yen

New York late afternoon

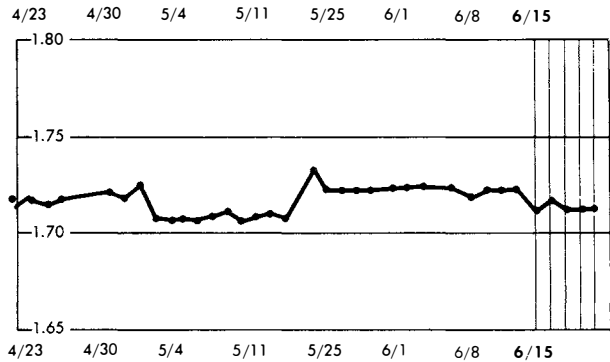
June 8	218.50
11	219.00
12	219.80
13	220.25
14	220.15



The dollar in Swiss francs

New York late afternoon

June 8	1.7280
11	1.7327
12	1.7295
13	1.7295
14	1.7212



The British pound in dollars

New York late afternoon

June 8	2.0645
11	2.0702
12	2.0980
13	2.1033
14	2.0975

